Austria	Sch. 20	Indonesia	Rp 3100	Philippines	Pes. 20
Bahrain	Din.0.650	Israel	NS 3.50	Portugal	Esc 100
Belgium	BFr.45	Italy	L 1600	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y600	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils.500	Spain	Pta 125
Denmark	DKr.9.00	Kuwait	Fils.500	Sri Lanka	Rup 30
Egypt	E£1.50	Lebanon	£L 25.00	Sweden	SKr 8.00
Finland	Fmk 7.00	Luxembourg	LFr.45	Switzerland	SFr 2.20
France	FFr. 6.50	Malaysia	Rin 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,134 Thursday January 15 1987 D 8523 B

Changing fortunes at the top in China, Page 3

World news — Business summary

Death toll of 130 as Europe freezes

France called out troops to help cope with the chaos and hardship caused by heavy snow, bitter winds and sub-zero temperatures as northern Europe shivered in icy weather that has killed at least 130 people. By far the biggest death toll, 77 so far, was in the Soviet Union.

Specially-equipped tanks appeared on East German roads to clear snow, hungry wolves scavenged for food in Czechoslovak villages, Paris left the Metro stations open all night to shelter the homeless and the Isle of Sheppey in southern England had six-metre snowdrifts.

Even southern Europe did not escape. Portugal was frozen and fresh snow fell on Barcelona.

Warning by Waite

Within hours of a French photographer being abducted and a Saudi diplomat being reported missing, British Anglican Church envoy Terry Waite warned foreigners about the risks of still living in kidnap-plagued West Beirut and advised them to leave. Page 3

Spain warns UK

Spanish Foreign Minister Francisco Fernandez Ordonez warned that his country's relations with Britian would be adversely affected if the stalemate over Gibraltar persisted. He was speaking after two days of talks with British Foreign Secretary Sir Geoffrey Howe. Page 2

Coalition for Austria

Austria's two main political parties, the Socialists and the Conservative People's Party, reached initial agreement on forming a "grand" coalition government after six weeks of talks. Page 2

Sour Jaruzelski note

Polish leader General Wojciech Jaruzelski's Italian visit ended on a sour note. Three trade union leaders declined his invitation to visit Poland because of their concern for trade union freedom there. Page 2

Athens blackout

Athens and northern Greece were hit by power cuts when about 30,000 electricity workers walked out in advance of today's general strike, which is expected to bring the country to a standstill. Strikers want an end to the current pay freeze.

Rebels defy Aquino

Moslem rebels burned bridges and government buildings and set off explosions in a campaign aimed at deterring President Corazon Aquino from making a weekend visit to the southern Philippines island of Mindanao.

Hu Yaobang mystery

Rumours are growing in Peking that party general secretary Hu Yaobang has been displaced in a power struggle. He has not been seen for several weeks. Page 3

Power station blast

An explosion in a generator room injured 10 people and crippled one of East Germany's main coal-fired power stations at Boxberg, near the southern city of Cottbus. The cause was not yet known.

Chad victory claim

Chad said its forces had overrun a Libyan command post in the rugged north-western Tibesti mountain region, close to the oasis of Zouar, after heavy fighting.

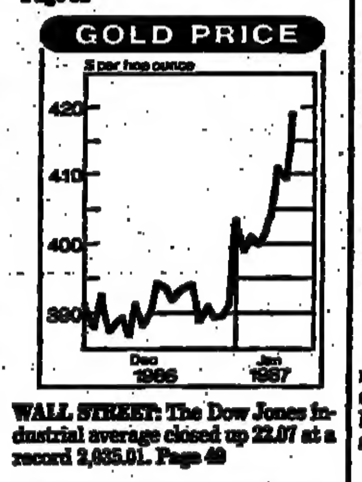
Pretoria relents

South Africa said that British history professor Phil Bonner, threatened with deportation, can stay on after all at Witwatersrand University on condition that he "does not promote partisan political interests."

Digital doubles profits to $270m

DIGITAL EQUIPMENT Corp, recently revitalised US computer manufacturer whose new generation of minicomputers has been making large gains in market share throughout the world, announced a doubling of profits and a continuation of rapid revenue growth. Page 14

GOLD prices rose to their highest levels since late October in London and New York as investors switched funds out of the weakening dollar into bullion. London trading was sporadic, with some participants kept away by bad weather. The price closed $10 up at $419.24. In New York the February Comex settlement was $419.30. Page 32



WALL STREET: The Dow Jones industrial average closed up 22.07 at a record 2,035.01. Page 40

LONDON hit a fresh record despite appalling weather conditions in Britain. The FT-SE 100 edged 1.9 higher to a peak 1,765.2, but the FT Ordinary lost 4.9 to 1,389.8. Gilts ended with small gains. Page 40

TOKYO: Hopes of another cut in the official discount rate pushed share prices sharply higher. The Nikkei average gained 240.80 to 18,784.65. Page 40

DOLLAR closed in New York at DM 1.8325; SFr 1.5370; FFr 6.1095 and Y152.60. It fell in London to DM 1.8360 (DM 1.8755); to FFr 6.1350 (FFr 6.27); to SFr 1.5390 (SFr 1.5750); and to Y152.75 (Y155.75). On Bank of England figures the dollar's index fell to 105.2 from 106.4. Page 33

STERLING closed in New York at $1.5045. It rose in London to $1.5060 ($1.4905); but fell to DM 2.7650 (DM 2.7950); to FFr 9.24 (FFr 9.3450); to SFr 2.3150 (SFr 2.3475); and to Y230.05 (Y232.25). The pound's exchange rate index fell 0.2 to 68.3. Page 33

CBS: board of the US broadcasting, records and publishing group has decided to return the title of chairman to Mr William Paley and to give Mr Laurence Tisch, its largest shareholder, the permanent positions of president and chief executive officer. The appointments follow the resignation in September last year of former chairman Mr Thomas Wyman under pressure from the board.

SAO PAULO stock market has plunged 21.3 per cent in past nine trading days in sharp reaction to Brazilian Government's handling of the economy and its failure to agree a prices and incomes policy on Monday.

CHEMICAL NEW YORK, first of the big US money centre banks to report its earnings increased its net income by 3.1 per cent to $402.4m in 1986 after increasing its loan loss provisions by more than 50 per cent to $439.3m. Page 15

AVON PRODUCTS, US cosmetics and fashion jewellery marketer, lifted earnings from continuing operations for 1986 by 24 per cent to $159m or $2.23 a share from $128.2m or $1.61, mainly due to the turnaround in its domestic beauty products business. Page 15

WARTSILA MARINE, Finnish shipbuilding group comprising the former shipyards at Wärtsilä and Valmet, plans to close at least one larger yard as part of reorganisation following the merger at the beginning of the year. Page 16

Guinness sacks chairman in management purge

BY CLIVE WOLMAN IN LONDON

THE BOARD of Guinness, in a thorough purge of its former top management regime, last night unceremoniously sacked Mr Ernest Saunders as its chairman and chief executive.

The board of the brewing and leisure group also demanded the resignation of two other directors, dismissed its lawyers and downgraded the position of its stockbroker, Cazenove and Co.

However, after a three-hour meeting, the board decided not to disclose immediately any details of the illicit share support operation which involved Mr Saunders during the final stages last year of the Guinness takeover battle for Distillers. The board has decided to give itself more time to review those details, some of which will appear in a letter from the new chairman, Sir Norman MacFarlane, to be sent to shareholders in the next two days.

Mr Saunders announced last Friday night in a face-saving formula that he was stepping aside as chairman and chief executive for the duration of the investigation by the Department of Trade and Industry. However, he would have continued to draw his £375,000 a year salary.

However, the company said last night that "the board unanimously decided that all connection between Mr Saunders and the company should be severed forthwith. The board has terminated his position as chairman and chief executive and has urged him to resign his office as a director."

The statement said that a full review of recent events had been carried out which included a letter sent to the board by the former finance director, Mr Olivier Roux. The letter, it subsequently emerged, contained details of a large-scale illicit share support operation. The operation involved the direct or indirect use of Guinness money to buy back its own shares at inflated prices from purchasers who had helped to boost the price during the takeover battle.

The two non-executive directors recruited by Mr Saunders, who are thought to have been closely involved in the operation, are Mr Thomas Ward, a US lawyer, and Dr Arthur Fuerer, chairman of Zurich-based Bank Leu. Both have now been sent letters asking them to resign.

In a related development yesterday Bank Leu announced that it wished to make a full disclosure of its role in the Guinness affair. Its chief executive, Mr Hans Knopfli, said that the bank would call a press conference as soon as it had been granted clearance by the Guinness board. Mr Knopfli also said the bank had asked for permission to co-operate with the DTI inquiry. The clearance has not yet been granted and the bank therefore remains subject to the Swiss bank-secrecy laws. Guinness declined to comment last night on Bank Leu's request for clearance.

The Guinness board also announced last night that Kingsley Napley has ceased to act as legal adviser to the company. The firm, which is headed by leading criminal lawyer Sir David Napley, was appointed only three weeks ago by Mr Saunders to take over from another City of London firm, Freshfields. City law firm Herbert Smith has been appointed in Kingsley Napley's place.

Another rebuff has been directed at Cazenove and Co, the company's stockbrokers whose representatives were closely involved in the details of the stock market operations during the take-over bid for Distillers. Another stockbroking firm, James Capel, has been appointed to act alongside Cazenove.

Sir David Plastow, chairman of Vickers and a non-executive director of Guinness, has been elected as deputy chairman of the company. Mr Edward Guinness, who was to have retired as a non-executive director next week, has now been asked to remain on the board.

Background, Page 18; Editorial comment, Page 12; Pressure mounts on ministers, Page 14

US stance on dollar adds to fresh decline

BY OUR ECONOMIC AND FOREIGN STAFF

GROWING suspicion that the US Administration is willing to see the dollar's slide continue compounded its weakness and it fell sharply again yesterday against all major currencies.

The White House yesterday described the dollar's recent fall as "steady" and "orderly", comments which will reinforce the perception in the financial markets that the Reagan Administration is not planning to resist the dollar's recent decline.

The statement, by Mr Larry Speakes, White House spokesman, came in response to questions about a report on the front page of The New York Times yesterday which helped trigger a new bout of dollar sales. The report said the Administration would be content to see the dollar fall.

Mr Speakes complained that the report was "unauthorised", but did not deny its substance.

A senior US Treasury official later denied that it was the "policy of the United States to talk down the dollar".

But he said that if US trading partners did not show stronger growth and if the US did not become more competitive, "then over time it becomes logical that there should be further currency adjustments".

An orderly decline in the dollar has, since October 1985, been part of the Reagan Administration's strategy for reducing the giant US trade deficit. Despite the dollar's sharp decline since the beginning of 1985, however, the shortfall is headed for a new record of over $170bn this year.

Stock markets in Hong Kong and Sydney retreated sharply under the impact of the dollar while in Europe Frankfurt, Amsterdam and Zurich traded cautiously after the recent EMS moves and the weaker US currency. Page 40

Foreign exchange dealers described the dollar's collapse yesterday as a "freefall" and said there appeared no prospect of a halt to the decline unless either the US Administration signalled that the currency had fallen far enough, or West Germany and Japan were forced to lower interest rates.

The dollar slumped four pfennigs to end at DM 1.8360 yesterday, its lowest level since mid-October 1980. This fuelled talk of a fall to its all-time low of DM 1.7062, which was reached in January of that year during the Carter Administration's Iran hostages crisis. It also fell sharply against the Japanese yen, to close at Y152.75 compared with the previous close at Y155.75.

The dollar's acute weakness is of serious concern to the Japanese and West German authorities, who are under increasingly strong pressure to cut interest rates.

Speculation is growing that an

Continued on Page 14

Editorial comment, Page 12; Economic viewpoint, Page 13; Background, Page 14

Soviet aim is more than propaganda

By Patrick Cockburn in Moscow

THE six-month ceasefire declared in Afghanistan from today is the Soviet Union's most significant step since it entered the country in 1979 to find a political settlement under which its forces could withdraw.

Although it is Afghan leader Mr Najibullah in Kabul who declared the ceasefire, sought national reconciliation and offered participation in government to the anti-government guerrillas, there is little doubt that Mr Mikhail Gorbachev, the Soviet leader, is the one behind the policy of conciliation.

The problem for the Soviet Union remains, however, that the government in Kabul is probably militarily and politically too weak to survive the withdrawal of active Soviet support, including 107,000 troops. This throws doubt on the capacity of Kabul to share power with guerrillas who have fought against it for eight years.

The declaration of a ceasefire and the other conciliatory measures is certainly more than a propaganda exercise. It is very much in the diplomatic style Mr Gorbachev has developed since he came to power. This is to offer the other side reasonable terms, give these terms maximum publicity so that if they are rejected Moscow is left looking constructive and holding the political high ground.

This is all the more attractive to Mr Gorbachev since he and the men around him are more conscious than President Brezhnev of the damage the invasion of Afghanistan did to the Soviet image in the world.

The offer from Afghanistan has already won some tactical points for Mr Gorbachev and Mr Najibullah since it is likely to divide the guerrilla groups based in Pakistan and Iran. Continued refusal to negotiate with the government in Kabul or stop fighting until the Soviet troops have all withdrawn will leave the guerrilla leaders bearing the reponsibility for continued fighting at a time when Afghans, whatever their political persuasion, are clearly feeling war weary.

The unilateral ceasefire is also

Continued on Page 14

Paribas flotation marred by credit downgrading

BY GEORGE GRAHAM IN PARIS

STANDARD and Poor's, the US credit rating agency, has dealt a backhanded blow to the French Government's privatisation programme by removing the triple A rating of Paribas, the investment banking group.

Paribas, the second French company to be privatised, will launch the largest share offering ever made on the French stock exchange on Monday. The flotation is expected to value the group at over FFr 19bn ($3bn).

The downgrading by Standard and Poor's was expected, since the agency placed Paribas on its credit watch list two months ago. The timing of the announcement, however, is viewed in Paris as unfortunate.

The agency's decision reflects both Paribas's move away from the umbrella of state ownership and the unexpected losses recently announced at Credit du Nord, the group's main domestic banking network.

The long-term debt of Compagnie Financiere de Paribas, the holding company, moves from triple A to double A-plus, while the perpetual subordinated debt of Banque Paribas, the principal banking subsidiary, drops from double A to double A-minus.

Paribas said yesterday that the loss of the triple A rating would have no operational impact on the bank and only a marginal effect on interest rates.

The ratings agencies have gradually downgraded most bank debt over recent years, and Paribas joins several distinguished banks, such as Barclays or NatWest, on the double A-plus rating.

Several leading US banks have lost their triple A label recently, and in the French banking sector, only Credit Agricole retains the top rating. It, too, is due to be privatised.

The French finance ministry will announce the price of Paribas shares and terms for converting its non-voting certificates of investment, which make up 25 per cent of the capital, tomorrow. The offer opens on Monday and remains open until January 31.

The Government is reserving 20 per cent of the company's capital for a hard core of major French institutions, whose names will also be published tomorrow.

A further 7.5 per cent will be offered to employees.

Background, Page 16

UK details plans to raise public spending

BY PHILIP STEPHENS, ECONOMIC CORRESPONDENT, IN LONDON

THE British Government yesterday detailed its plans for higher public spending over the next three years, with ministers arguing that the extra cash would bolster services in its priority areas of health, education and law and order.

In the annual Public Expenditure White Paper (policy statement) the Treasury confirmed that £4.7bn ($7bn) had been added to its planning total for public spending in the 1987/88 financial year and a further £5.5bn in the following year.

Mr John Macgregor, the Chief Secretary to the Treasury, said that the extra money could be afforded because of the success of the Government's economic policies. The increases, however, were still consistent with a fall in the public sector's share of national output over the next few years, and the Government had no plans to add to its public borrowing.

He suggested that if anything the public sector borrowing requirement could undershoot its £7bn target this year, and that for next year it would remain at 1¾ per cent of national output.

Mr Macgregor highlighted increases on spending provision for housing, the national health service, roads and education. He acknowledged, however, that the Government had had little control over the two areas where spending both this year and in future years is now

Continued on Page 14

Details, Pages 8, 9

Caterpillar announces closure of plants in US and Scotland

BY NICK GARNETT IN LONDON AND JAMES BUXTON IN EDINBURGH

CATERPILLAR, the US maker of earth-moving equipment, is to close two plants in the US with the loss of almost 1,700 jobs as well as its factory near Glasgow in Scotland where more than 1,200 people are employed.

The company, the world's largest producer of construction equipment with sales last year of $6.7bn, blamed the closures on the need to reduce manufacturing space to meet existing and projected demand for its products.

It said that the closures, likely to take effect next year, were based on its "best judgement" at the present time. The company added that it was continuing to "evaluate its needs."

The US plants involved are at Davenport, Iowa, and Dallas, Oregon.

The UK Government gave a hostile reception to the announcement of the closure of the Scottish plant at Uddingston, which makes the D6H mid-weight crawler tractor. The company earmarked a £62m ($92.4m) investment programme for the factory in September last year.

Mr Malcolm Rifkind, the Scottish Secretary, expressed his dismay at the closure plan during question time in the House of Commons. He said: "I regret and deplore the decision."

Mr Rifkind said the company had been offered government assistance with the investment programme. He said the Government would take steps to recover any money given to the project. Labour MPs said the Government had already provided £3.1m.

Union representatives at Uddingston had been expecting the announcement but the union umbrella body, the Trade Union Congress, reacted angrily. Union officials said Caterpillar employees would be unable to find new jobs in an area where unemployment was 21 per cent.

Three years ago Caterpillar closed a large factory at Birtley near Newcastle upon Tyne with the loss of 1000 jobs. The plant, which made parts for bulldozers and dump-truck bodies, was eventually taken over by Komatsu, Caterpillar's Japanese rival.

The US company, however, has been sourcing many of its lift trucks from its site at Desford in Leicester where it also makes excavator loaders.

Apart from the 165hp D6H, Uddingston also makes final drives, undercarriages and other components for equipment assembled elsewhere by the company.

Davenport also makes the D6H crawler tractor and Dallas manufactures rough-terrain lift trucks. Caterpillar said it was not dropping any product lines and would consider where to transfer production during the coming year.

CONTENTS

Spain says Gibraltar puts UK ties at risk

By Robert Mauthner, Diplomatic Correspondent

THE SPANISH Foreign Minister, Mr Francisco Fernandez Ordonez, yesterday warned that his country's relations with Britain and multilateral relations within the European Community and Nato would be adversely affected if the stalemate over Gibraltar persisted.

Mr Ordonez was speaking after two days of talks with Sir Geoffrey Howe, the British Foreign Secretary, which were overshadowed by continuing disagreement about the future of the British colony. The Spanish Foreign Minister also had an hour-long meeting yesterday with Mrs Margaret Thatcher, the Prime Minister.

Although Mr Ordonez described his talks with both Sir Geoffrey and Mrs Thatcher as "very friendly," he made no attempt to hide his disappointment at the lack of progress on the issue of sovereignty over the Rock.

"When one member of the European Community and Nato maintains a colony on the territory of another, the situation becomes daily more absurd," he said at a news conference.

Mr Ordonez mentioned British and Spanish involvement in co-ordinating foreign policies within the community and the existence of a Nato command post in Gibraltar, as possible sources of tension within the EEC and Nato.

The UK Foreign Office, in describing the meeting as "cordial and frank," virtually admitted that the talks had been less than satisfactory. But it emphasised that Sir Geoffrey "had stressed the importance of managing any differences between Britain and Spain in a spirit consistent with their links of friendship and their common membership of the European Community and Nato."

Although there had been a full discussion of the problem of sovereignty, in keeping with the undertaking given by Britain in the 1984 Brussels agreement with Spain, Sir Geoffrey had reaffirmed Britain's commitment to honour the wishes of the people of Gibraltar.

Mr Ordonez did not question the right of the people of Gibraltar to exercise a free choice over their nationality. However, that was not the basic problem, which was one of territorial integrity as defined by the United Nations.

Olli Virtanen in Helsinki examines the outcome of the new Soviet Prime Minister's recent visit

Finland sees a Soviet mission well accomplished

MR NIKOLAI RYZHKOV, the new Soviet Prime Minister, left Finland in a rush at the end of last week, practically without ceremony. This highly uncharacteristic way to end an official visit was due to the coldest weather (-34°C) since 1940, when Finland won the winter war against the Soviet Union.

The latest meeting in Helsinki left Finns with a feeling of a mission well accomplished, although this time for very different reasons. The talks gave a much needed boost to the overall economic relations between the two countries.

The sweeping economic reforms in the Kremlin also suit Finnish needs. The Soviets seem to use Finland as a test bed for their new economic ideas. According to Mr Ryzhkov, Finland is a "pioneer" in the Kremlin's relations with other Western countries. This role cannot be made tangible, he suggests, but Finnish companies will, for example, have priority in joint ventures with Soviet firms.

The first such venture, between Finland's national airline Finnair and the Soviet tourist organisation Intourist, on running a Moscow hotel was signed during the visit. A number of other Finnish companies are eager to engage themselves in similar ventures, which tend to involve the Soviet partner holding 51 per cent of equity.

The main issue of concern during the visit, however, was the plunging volume of trade between the two countries. Conducted on a barter principle, the overall target set for 1986 was at FM 37bn ($7bn). Actual exchange of goods last year amounted to only FM 29bn.

The explanation for this is simple: crude oil, which makes up 80 per cent of Finland's imports, was expected to cost about $28 a barrel in 1986. During the year it dropped well below half that amount.

Mr Nikolai Ryzhkov

But if the explanation is simple, solutions to the huge surplus in Finland's favour are not. First, both countries do not want to abandon the barter system in favour of hard currency trade. Non-oil imports from the Soviet Union are also extremely difficult to find.

A substantial decline in the trade volume, as much as 40 per cent by some estimates, loomed large for 1987. It presented a potentially serious threat to many Finnish companies, particularly in the clothing, textile, footwear and construction industries, which relied heavily on exports to their eastern neighbour.

However, an audible sigh of relief was heard in Helsinki last week. When the trade protocol for 1987 was publicised, there was no dramatic reduction, although this time the two parties were cautious enough not to set a definite figure for the overall volume.

As the authors of the document tell it, the basic total is FM 27bn but this may be increased up to FM 32bn if oil prices rise and Finland finds more imports.

As if to encourage optimism, the Soviets placed orders worth a total of FM 1.3bn ($270m) including 20 ships during their visit.

Finns were pleased about the outcome. The Soviets were also prepared to change their ways. For example, Finland's national oil company, Neste, will now get substantially more Soviet oil to trade on the international markets.

Another sign of flexibility was the agreement on the trade surplus. The Soviet Union complied with Finnish demands to set the surplus to an interest-bearing special account and tie it to a basket of currencies in order to protect it against a possible devaluation of the ruble. Moscow will pay the 300m ruble ($450m) surplus back over the next five years.

Mr Ryzhkov's visit had less political importance, but it was equally successful on this front. Old clichés of "good relations", "non-interference" and "striving for peace" were included in the final communique, but Finnish neutrality did get mentioned twice rather than once or not at all.

The visit also gave Mr Ryzhkov a chance to play his part in the new Soviet "glasnostia" or openness. He attended his first press conference for Western journalists in Helsinki and covered a whole range of subjects

During his visit, Mr Ryzhkov invited both Finland's President Mr Mauno Koivisto and Prime Minister Mr Kalevi Sorsa on an official visit to Moscow later this year.

Finns continue to strive to foster good relations because, even although they won the winter war, they lost the following one in 1944. Now the name of the game, in crude terms, is to preserve neutrality and benefit from economic relations with Moscow. Those principles seem to be working well at the moment.

Three-nation project to build howitzer collapses

BY DAVID BUCHAN IN LONDON AND DAVID MARSH IN BONN

THE 14-year-long collaborative effort by Britain, West Germany and Italy to develop and produce an howitzer has collapsed, with each of the three countries deciding to go its own way in meeting its army's immediate needs.

Following Tuesday's announcement in the UK parliament that the project to develop a rapid fire, self-propelled gun known as SP-70 was to be scrapped after £250m had been spent on it, the British Defence Ministry said it had invited four companies—three British and one American—to propose a replacement for the British army.

At the same time, the West German Defence Ministry said it would be buying 80 updated versions of the US-designed M109 howitzer, of which 580 are already in service with the West German army. The Italian army is understood to be planning to use a home-built 155 mm gun already developed for the export market.

The demise of the SP-70 project will inevitably dent the broader image of European invited to make proposals for arms collaboration, which has been given increasing push by governments in the hope of reducing costs and improving the European arms industry's external competitiveness. However, the three countries have agreed to try to collaborate on a successor gun towards the end of the century.

But the SP-70 project to produce a 155 mm gun had long been in trouble. Started in 1973 and orginally due to enter service in the early 1980s, SP-70 had been plagued by disagreements between London, Bonn and Rome and between the three main contractors — Royal Ordnance of the UK (responsible for the turret), Rheinmetall of Germany (the chassis) and Oto Melara of Italy (the gun).

A particular problem was the reliability of the automatic ammunition handling system, which has had a tendency to jam but which allowed no reversion to manual shell loading.

The four companies, which the UK Defence Ministry has a British SP-70 proposal by mid-June, are Vickers Shipbuilding and Engineering, Vickers Defence Systems, Royal Ordnance and BMY of Pennsylvania (which makes the M109 gun).

Britain put up £89m of the £250m collectively spent on SP-70. But UK officials believe there is a chance this might not be totally wasted, if the SP-70 design can be made to work on a national basis. The management complexity inherent in multinational projects was said to be a key problem with SP-70. Vickers Defence Systems, which unlike the other three companies invited to tender, has no immediately available howitzer, is thought possibly capable of adapting the SP-70 successfully.

All three countries have been cautious in apportioning national blame for SP-70's failure, because they still want to work together in the future. But Britain's need was the most pressing, because it lacks a 155 mm gun and badly needs a replacement for its ageing Abbott 105 mm. Impatience was thus greatest in Britain, which finally was the one to announce SP-70's end.

Prospect grows of W. German tax cuts

By David Marsh in Bonn

THE West German Government is moving closer to a decision to cut taxes after the general election on January 25.

Mr Martin Bangemann, the Economics Minister, said yesterday that there was no present "need for action" in spite of signs in recent months of a slowing of the country's economic growth. But officials said if the economy still appeared to be flagging during the run-up to the Venice economic summit in the early summer, then tax cuts were likely.

Possibilities include a 10 per cent cut in taxes under the country's Stability and Growth Law or else the bringing forward of about DM 9bn worth of tax cuts already programmed for January 1988.

The Government's 1987 economic report, approved by the cabinet yesterday, projects real growth of about 2.5 per cent this year, the same as in 1986.

Although it remains optimistic, pointing out that growth could end up exceeding 2.5 per cent, the tone is much more cautious than two months ago, when the Government was predicting expansion of 3 per cent for both 1986 and 1987. The Government is also forecasting that the country's massive current account surplus in 1987 will fall only slightly.

Mr Bangemann pointed to the risks that West German exports—which account for about a third of gross national product—would come under further pressure as a result of the sharp rise in the D-Mark's value.

He refused to discuss the possibility of a further revaluation of the currency after its rise of 3 per cent within the European Monetary System last weekend—an adjustment which the foreign exchange markets believe is insufficient.

However, he did say that the further fall in the dollar yesterday meant that "export chances have not become better."

The Government's report forecasts only a slight fall in unemployment. This is seen as declining by 80,000 to 2.15m on average this year, making up 8.5 per cent of the workforce, compared with 9 per cent in 1986. Prices are foreseen as rising slightly, with an inflation rate of under 1 per cent compared with a 0.2 per cent fall in average prices in 1986.

Mr Bangemann said the current account surplus was expected to fall only moderately—to between DM 60bn (£21bn) and DM 65bn (£23bn), compared with DM 70bn (£25bn) last year. This is a smaller decline than predicted up to now by the Bundesbank, the central bank, which has said it believes the surplus could fall by DM 10bn-DM 20bn.

In spite of falling orders in industry in the past few months, Mr Bangemann refused to recognise any significant slackening in the economy.

This was contested yesterday by the opposition Social Democratic Party, whose economic spokesman, Mr Wolfgang Roth, said the report added up to "a crude attempt to fool voters." The West German savings banks association also said yesterday that the economy had clearly lost momentum.

Yugoslav loan bid refused

By Aleksandar Lebl in Belgrade

THE World Bank has refused Yugoslavia's request for a second structural adjustment loan, to follow the highly successful $275m loan agreed three years ago, until the Government puts its economic house in order.

Specific measures being demanded by the Bank include the introduction of positive real interest rates, relaxation of price controls and a more liberal import policy.

The Government, while agreeing in principle that these are desirable objectives, finds the Bank's insistence on immediate action unacceptable. Any such measures should be implemented only gradually, in order to minimise social and political tensions, government negotiators say.

They have asked the Bank to reconsider its decision on the loan, which would be used for economic restructuring. In the meantime, project-related loans are to continue, and are expected to resume flowing, within months, for some of the 250 projects currently in preparation in Yugoslavia.

● Yugoslavia's second biggest commercial bank has broken new ground by allocating funds for investment as venture capital in both the public and private sectors.

Hitherto, Yugoslav banks have restricted themselves to loans at fixed interest rates. However, Investbanka of Belgrade has set up a Dinars 600m (£900,000) fund to be invested in various programmes on a risk-sharing basis.

It is a modest beginning as Mr Budimir Kostic, Investbanka's president, admits But providing the experiment succeeds, he plans to allocate more funds later on

Investbanka, in a second move unprecedented in post-war Yugoslavia, has taken on the management of a Dinar 10bn (£15m) issue of negotiable debenture for Serbian electric power generating companies. They will carry a 68 per cent interests which is much higher than the interest rates paid on savings), paid quarterly, and are for two years, sellable at any time.

Hungary plans market for used W. German cars

By Leslie Colitt in Berlin

HUNGARY IS buying second-hand cars in West Germany in an attempt to meet demand for cars in its domestic market. The shortage of Soviet-made Ladas and Czechoslovak Skodas, which are being sold increasingly to the West, means that the gap between supply and demand for new cars in Hungary is widening.

A newly formed Hungarian joint venture company has received official approval to import up to 1,500 used VW, Audi, Ford and Opel cars from West Germany this year and more in the future.

Later, even damaged cars are to be bought in the West, then repaired and sold in Hungary.

Private buyers from Poland have been active in the West Berlin used car market for some time. They sell the cars at enormous profit in Poland, specialising in repairing partially wrecked Mercedes and BMWs for resale.

The cars Hungary is buying are to be up to three years old and with no more than 50,000 kilometres on the odometer. They will begin to be sold in the spring for hard currency plus Hungarian forints.

Thus, a three-year-old Audi with 50,000 km would be sold for DM 8,000-DM 10,000 (£2,840-3,550) plus forints 80,000 forints 100,000 (£1,190-£1,490) including registration and a guarantee.

THREATS OF RENEWED LABOUR CONFLICTS LOOM

Effects of French strikes could be severe

BY DAVID HOUSEGO IN PARIS

THE public-sector strikes in France which have now been brought to an end do not seem to have been costly to the economy in terms of lost output.

But the indirect consequences through the renewed upward pressure on wage claims, the revival of labour conflicts and the damage to business confidence, could be more severe.

The French railways also face an uphill battle to regain freight traffic lost to road carriers during the strike—coming at a time when the railways' share of freight traffic has been falling, threatening the closure of more lines.

Weakened as well in conflicts which they did not initiate—and had difficulty in controlling—were the French trades unions. The strikes showed that militants could fight their own battles without, necessarily, union intervention.

The concessions made on wages and fringe benefits to end the strikes were at the upper end of Prime Minister Jacques Chirac's 3 per cent ceiling on increase on wage cost this year.

The danger is that this could have a ripple-on effect damaging to the government's anti-inflationary policy elsewhere in the public sector. Teachers and public employees open negotiations with the government next week.

In the private sector, officials fear that companies could be tempted to cave in to higher wage claims in the hope of recouping higher wage costs and increased import and manufacturing bills—due to the depreciation of the franc and the cold weather—in higher prices.

The rest to the government's anti-inflationary strategy has come at the moment when the abolition of price controls takes effect.

For the French railways (SNCF), the concessions made over wages to settle the strike mean a 3.08 per cent increase in salary costs this year. Including the improvements in promotion prospects and working conditions, the concessions will add FFr 700m (£75.5m)-FFr 800m to the railways wage bill.

Apart from the increased wages bill, the strike resulted in FFr 1.5bn of net losses for SNCF—setting the fall in receipts against reduced operating charges when trains were not running.

Half of this will be borne by the 1986 accounts, increasing the railways operating deficit for last year to FFr 3.7bn-FFr 3.8bn from an anticipated FFr 3bn-FFr 3.5bn.

But the real damage to the SNCF is that the strike could accelerate the shift of freight traffic from rail to road.

If the railways cannot regain the ground they lost in the strike—and the cold weather is now favouring them, with lorries blocked on the road—then further line closures are likely. SNCF's plan to return to operating profits by 1989—excluding its annual budget subsidy of FFr 35bn—will also be put at risk.

The French electricity authority (EDF) managed to hold to Mr Chirac's wage ceiling through a 3 per cent increase in wage costs. But this excludes a 0.4 per cent increase granted retroactively during the strike, in the 1986 wage bill, and profit sharing schemes and reductions in working hours still to be negotiated.

In macroeconomic terms, officials believe that the loss of output was small. Intermediate and capitals goods manufacturers were hit by delivery delays. Their hopes that these could be made good swiftly could be set back, however, by the Arctic weather which has truck most of France.

The main worry for policy makers is over the revival of inflationary expectations. But there is also some concern that the combination of this, a worsening labour situation and continuingly high real interest rates as a result of the pressure on the franc could damage the still modest investment revival.

Kidnapping deals blow to Middle East efforts

BY PAUL BETTS IN PARIS

THE KIDNAPPING of another French journalist in Beirut has dealt a new blow to French Middle East policy and efforts by Mr Jacques Chirac's government to secure the release of the French hostages held in Lebanon.

Mr Jean-Bernard Raimond, the Foreign Minister, reaffirmed yesterday at a cabinet meeting the "permanent efforts" of French diplomacy to secure their release. He also condemned the abduction on Tuesday of Mr Roger Anque, a journalist working for the RTL Luxembourg broadcasting network and the French Catholic newspaper La Croix.

Mr Anque's kidnapping brings to five the number of French hostages in the Lebanon. No movement has yet claimed responsibility for the action which coincided with the arrival in Beirut of Mr Terry Waite, the Archbishop of Canterbury's special envoy.

It also comes at a time when the Chirac administration has been intensifying its efforts to win the release of hostages by a series of diplomatic initiatives in the Middle East, including efforts to normalise relations with Tehran.

Grand coalition for Austria

By Patrick Blum in Vienna

AUSTRIA'S two main political parties reached initial agreement last night on forming a "grand" coalition Government.

The agreement reached by the two negotiating teams, one from the Socialist Party, the other from the conservative People's party, after some six weeks of difficult negotiations, has to be approved by the two parties's respective leading bodies today but this is expected to be a formality.

News of the agreement was given by Dr Franz Vranitzky, the outgoing Socialist Chancellor who had been asked by President Kurt Waldheim to find ways to form a Government after last November's inconclusive general elections.

Although the Socialist party won a narrow victory in the election, neither of the two big parties did particularly well and both lost votes, and seats to the small right-wing Freedom party, and to the "Greens" who entered Parliament for the first time.

According to the agreement, Dr Vranitzky would remain Chancellor and Dr Alois Mok, the People's party leader, becomes Vice Chancellor, and Minister in charge of Foreign Affairs. Ministries of finance, of the interior, social affairs, transport and nationalised industry, and of education remain in Socialist hands. The People's party will hold the ministries for science, agriculture, defence, the environment and for trade.

Drugs link in attack on envoy

A COLOMBIAN group named after a man jailed in the US for drugs smuggling, claimed yesterday to have carried out the attempt on the life of Mr Enrique Parejo Gonzales, Colombia's ambassador to Hungary.

As Justice Minister, Mr Gonzales was prominent in the fight against drugs trafficking from which he had received several death threats. His predecessor was murdered in Bogota in 1984 and Mr Gonzales was appointed to Budapest because it was considered out of reach of the Colombian drugs mafia.

He was shot in the head twice on Tuesday but his brain was not damaged.

Italy pours cold water on Peres optimism

BY JOHN WYLES IN ROME

ON THE EVE of an official visit by King Hussein of Jordan, the Italian Government yesterday issued an icy commentary on an upbeat assessment of Middle East peace prospects given here earlier this week by Mr Shimon Peres, the Israeli Foreign Minister.

Mr Gullio Andreotti, Italy's Foreign Minister and architect of the country's "bridge-building" policy with Middle East governments, issued a statement questioning Mr Peres' assertion that "peace in the Middle East has never been closer."

While no one could be unhappy to read a phrase such as this, said Mr Andreotti, "we ask ourselves on what basis the Israeli Foreign Minister can make this claim, given that the Lebanese situation is tragically unchanged with fierce daily clashes and a shadow of gloom still hangs over the tragedy of the Palestinian refugee camps."

While Mr Peres might just have been referring to Israel's relations with its neighbours, there was no substitute for a political solution to the Palestinian problem, added Mr Andreotti.

His statement appeared suspicious of Mr Peres' recommendation to the Italian government to support King Hussein's appeal for a $1.2bn international fund for developing the economy of the West Bank.

While Israel is again promising to appoint Arab mayors to every West Bank town, Mr Andreotti pointed out that the Israeli military occupation of the area would remain

King Hussein's three-day visit to Rome would enable the Italian Government to clarify details of the economic development plan, which, while praiseworthy, was no substitute for a political settlement. The only way forward was a step-by-step movement towards peace within a global framework, he said.

He drew attention to "news from Syria" that individuals responsible for terrorist acts were being "identified and removed."

Sour end to Jaruzelski visit

By John Wyles in Rome

GENERAL Wojciech Jaruzelski's three-day visit to Italy ended on an ill-tempered note yesterday when the Polish leader was engaged in something close to a stand-up row with Italian trade union leaders.

The country's "terrible trio," Mr Antonio Pizzinato, Mr Franco Marini and Mr Giorgio Benvenuto, leaders respectively of the Cgil, Cisl and Uil union federations, went into their scheduled one-hour session with the general determined to press the case for genuine trade union freedom in Poland.

They emerged after two hours and 20 minutes of a hard and bitter encounter (Marini) having turned down General Jaruzelski's invitation to examine Polish "realities" for themselves and adamant that they would not set foot in Warsaw until "freedom of trade union choice" had been established.

Moscow lifts curtain on rioting over sacking of Kazakh leader

BY PATRICK COCKBURN IN MOSCOW

SPECULATION ABOUT the extent of last month's rioting in Alma Ata, capital of the Soviet central Asian republic of Kazakhstan, has been quashed with publication of the first official account of the street violence.

The unrest followed the dismissal of Mr Dinmukahmed Kunaev, the area's Communist party leader.

According to an interview with Mr Galim Yelemisov, public prosecutor for Kazakhstan, published in Literaturnaya Gazeta yesterday, only one person—a volunteer policeman—was killed, though "quite a number" of regular and volunteer police were injured in the 10 hours of unrest on December 17.

Rioters pelted the police with bottles and stones, and although Soviet police normally carry pistols, they were not armed on this occasion, according to Mr Yelemisov. The local authorities are reported to have set up platforms for rioters to explain their grievances but few took advantage of them.

Officials claim that senior members of Mr Kunaev's political machine spurred on the rioters with pro-Kazakh and anti- Russian slogans after Mr Kunaev, an ethnic Kazakh, was replaced by Mr Gennady Kolbin, a Russian. Literaturnaya Gazeta said yesterday that a teacher had been sentenced to five years in prison for making a placard and "stirring up enmity between nationalities."

Mr Kunaev's regime is more specifically accused of packing educational institutes and the Kazakhstan state university in Alma Ata with students from the mainly Kazakh south of the republic. The law and journalism faculties of the university had been for many years dominated by Kazakhs, according to the Communist party daily newspaper, Pravda, although they make up only 36 per cent of the 16m population of Kazakhstan compared to the 41 per cent of Russian nationality.

Both the institutions from where the rioters came as well as the whole Communist party and state machine is now being heavily purged, according to official reports.

Mr Yelemisov said that in the clampdown on corruption country cottages and hunting lodges, theoretically belonging to the state but in fact run for the benefit of former officials, must be handed over by March 1 to children's organisations and medical institutes.

A letter from a woman with a Kazakh name printed in the daily newspaper Izvestia says: "Under the previous leadership, everything rested on bribes, report-padding and the principle 'you scratch my back and I'll scratch yours.' We cheered up with the news that Kunaev was replaced."

This open attack on Mr Kunaev, still a serving member of the politburo in Moscow, is unprecedented and is a measure of the strength of the government's reaction to the riots. Mr Oleg Mirokshin, the second secretary of the Kazakh Communist Party and Mr Kunaev's number two, was replaced at a special party meeting in Alma Ata on January 10.

At the same meeting, Mr Kolbin drew a direct connection between the riots, corruption under the old regime and the failure to introduce economic reforms. Inadequate food supplies were also said to have played a role in sparking off the violence and Mr Kolbin emphasised last weekend that more private plots were needed as well as better procurement, processing and storage of food.

The riots, like disasters such as the Chernobyl nuclear plant accident and the sinking in the Black Sea of the Admiral Nakhimov cruise ship with the loss of 398 lives, are clearly being used by Moscow to underline the need for change.

But the slow pace at which information has been disclosed also shows the political shock in the Kremlin as it seeks to absorb the lessons of the Kazakhstan riots.

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OVERSEAS NEWS

Disappearance of Hu raises demotion fears

BY ROBERT THOMSON IN PEKING

THE CHINESE Communist Party General-Secretary, Hu Yaobang, has been out of sight for several weeks, and the longer he is absent, the stronger the rumours that he has been displaced in a party power struggle.

One Chinese expert with a good record in picking political movements suggests that Hu will formally step down as party head at a Congress this Autumn, if not sooner, and will be replaced by Zhao Ziyang, the present Premier, who will in turn be replaced by Li Ruihuan, the Mayor of Tianjin.

According to a party spokesman, Hu, 71, is "exhausted from over-work" and cannot receive guests. The People's Daily yesterday named him at the top of a list of leaders who had sent wreaths to the funeral of a deceased party official, which suggests that Hu is not yet politically dead.

A few diplomats, taking for granted that Hu is to be demoted, have surmised that he is a victim of the conservative campaign against "bourgeois liberalism," which has already seen the purging of a few propaganda department officials, and a couple of writers and academics.

But a far more likely conspiracy theory is that Hu's long-term lack of authority is the reason for his demise, and that he is disliked by reformists and conservatives alike, who have used the recent student protests as an opportunity to remove him. The Chinese expert predicts he will be transferred to the Chinese People's Political Consultative Conference, a senior advisory body, in order to save face.

A meeting of senior Chinese officials to be televised today will provide clues to the party boss's fate. In a message during last night's national television news, all party members were instructed to watch the important broadcast.

Diplomats are divided on the rumours. A long-serving diplomat said the reported removal of Hu is "unexpected," "out of character" and "probably wrong." But others are convinced that the merging of left and right to oust him is entirely plausible.

Until last year, Hu had been thought of by most diplomats as the natural successor to Deng Xiaoping, the paramount Chinese leader. But it is widely believed that the party boss does not have the respect of the Chinese military, and his occasional gaffes and scattiness are thought unbecoming of a Chinese leader.

Zhao Ziyang is a confirmed reformer and there is no reason why the economic reforms should be derailed even if Hu is replaced. If events take place as rumoured, the Premier will become a firm favourite to replace Deng Xiaoping, who has indicated that he will stay on beyond the Autumn party congress.

If Hu is the only victim, the overthrow will not necessarily trigger further changes in the party. Yet there are good reasons why Hu should not be displaced. He has been in charge during a time of unprecedented party stability and growing prosperity, and he is a long-time friend of Deng.

Hu—will he go?

Those peddling the rumour that Hu is to be demoted purely for his "bourgeois liberal" ideas base their conspiracy theory on his record of supporting artistic and academic freedom. In fact, Hu has fluctuated in his support of such freedom, and is known to have banned the release of several films in recent months.

● The anti-bourgeois drive formally claimed another victim yesterday with the expulsion from the communist party of a Shanghai writer, Wang Ruowang, for describing socialism as an "illusion" that is "feudal or semi-feudal in essence," and inspiring students to protest.

Robin Pauley reports on victims of the swing back to conservatism

Changing fortunes in China

THE POLITICAL winds of fortune change direction faster in China than almost anywhere else in the world and for Wang Meng, the new Culture Minister, and Professor Fang Lizhi, vice chancellor of Anhui Science and Technology University, the gentle breeze of liberalism has turned very suddenly into an icy conservative blast.

Professor Fang, who yesterday lost his job, is in the most trouble. But the irony is greatest in Wang's case. He almost certainly will not lose his job but he is confronted with a sharp change of political climate for the second time in his career.

Wang, 52, first incurred the wrath of the party hierarchy as a young writer exactly 30 years ago when he wrote a short story—A New Young Man Arrives at the Organisation Department—which was highly critical of the endemic bureaucracy and the cadre system in China. He was denounced as a "rightist" and rehabilitated only in 1979.

Now he is feeling the coolness of the official machine once again, this time as a member of its top echelons. While he seems certain to retain his ministerial post, the attack by senior conservatives complaining about his bourgeois liberalism will sharply curtail his ability to encourage free expression in the arts world in China.

The speed with which things change is dramatic. On November 14 Wang told a group of Financial Times journalists in Peking: "Only in recent times in the literary field has a democratic way of thinking returned. Writers do not have to be worried about being punished for what they write, scholars don't have to be worried about the way they think and what they express."

Yet now, barely two months later, he is in trouble and two prominent writers and critics, Wang Ruowang and Liu Bingyan, vice chairman of the Chinese Writers Association, are in disgrace and expected to lose their party membership.

Wang was reluctant to become a minister. The central committee spent six months persuading him to accept the job and he finally acquiesced last June. "I have never stopped being a writer. I still feel as a member of a writing group. I am not just a minister. I like to remain equal with writers and artists and I hope they feel I am one of them and not above them," he told us.

But only three weeks after this interview the student demonstrations for more freedom and democracy started at the Science and Technology University in Hefei, capital of the central Chinese province of Anhui, and spread to at least 10 other cities including Shanghai and Peking. Reformers in the leadership were forced to agree with the conservatives that liberalism and free expression were getting out of hand.

Students at Hefei got encouragement from Professor Fang, a noted astro-physicist who paid a heavy price yesterday for taking Culture Minister Wang's words too literally; after some days of enforced residence at Peking University with his family he lost his university post and is likely to lose his party membership.

He is a widely respected physicist who has travelled abroad several times. He recently returned from a conference in Rome to complain bitterly about the way intellectuals in China lacked respect or status.

In November he urged Chinese intellectuals to assert their independence against the bureaucracy. After encouraging the Hefei students he clashed with Vice Premier Wan Li, a political reformer who had been trying to defuse the situation.

What is most striking about the present turn against intellectuals is the way it mirrors previous events. Wang Meng's first troubles came as a result of the "100 flowers movement" when free expression flowered briefly in 1957 until the intellectuals were harshly brought to heel.

A new "100 flowers" campaign was launched last year and Wang Meng told us this was the only real such campaign. "In the last one 100 flowers could never really blossom. Instead of letting 100 flowers bloom from different schools of thought, trouble awaited anyone who spoke their mind."

But he was too optimistic too soon. Intellectuals are being criticised and intimidated and have gone to ground. Wang Meng is learning once again that flowers cannot bloom through ice.

Iran launches fresh assault on central front

IRAN said yesterday it had launched a fresh offensive overnight in the mountainous central sector of the war front, but Iraq claimed it had "pulverised" the attackers, AP reports from Nicosia.

The operation came five days after Iran began a large offensive to the south on the 730-mile front in a push toward the Iraqi port city of Basra.

The Islamic Republic News Agency (IRNA) said Iranian forces killed or wounded 1,000 Iraqis and "liberated" 100 sq km of Iranian territory in the new overnight offensive.

The area, just north of the Iranian border town of Sumar and only 120 km northeast of Baghdad, the Iraqi capital, was one of the first slices of Iranian soil occupied by Iraq when it launched its war on Iran in September 1980.

The Iranian News agency, monitored in Nicosia, said Iran fired a missile at the Prime Minister's office in Baghdad on Wednesday to retaliate for recent air strikes on Iranian cities.

Baghdad Radio said the missile hit a residential area, killing "many" people. It was the third missile attack on the Iraqi capital in four days.

In the ground fighting, Irna quoted Mr Hussein Musavi, Prime Minister, as saying Iran's forces inflicted heavy blows on the central front, "breaking the backbone" of the Iraqi army.

Baghdad Radio said Iraqi commanders were prepared for the overnight attack.

"We were expecting the enemy offensive at a time when Basra was the target of another attack," said an Iraqi military communique. "The enemy attack failed after heaps of the attackers were killed and wounded."

Ceasefire in Afghanistan to start today

AT FIRST light today the ceasefire was due to take effect in Afghanistan in the first major peace initiative by the Kabul Government in the eight-year war with the Mujahideen guerrillas, Reuter reports from Islamabad.

Gen Najibullah, the Afghan leader, has said his unilateral ceasefire will last six months to begin with if the guerrillas also stop firing.

But the western-backed rebel groups based in Pakistan have scorned the ceasefire and have pledged to fight on until the Communists are beaten and the Soviet occupation forces expelled. Some have even promised to redouble their attacks today.

"The Mujahideen are saving their bullets for January 15," said one rebel spokesman.

Gen Najibullah's ceasefire offer was reinforced by an unplanned visit to Kabul by a senior Soviet delegation led by Mr Edvard Shevardnadze, the Foreign Minister, last month.

Malaysian banker jailed for fraud

A FORMER director of Bumiputra Malaysia Finance, a Hong Kong subsidiary of Bank Bumiputra Malaysia, was sentenced to 4½ years in prison by a high court on fraud and bribery charges, AP reports from Hong Kong.

Mr Mohammed Hashim Shamsuddin had pleaded guilty to conspiring with Mr George Tan, former chairman of the now-defunct Carrian Group, and others to defraud BMF and the Malaysian Government of $130m by making unsecured loans to Carrian.

Mindanao flare-up

AT LEAST one man died and 17 were injured when a minority group of Moslem separatists, not included in a ceasefire, strafed buildings, cut power lines and launched grenades in the turbulent southern Philippine province of Mindanao, reports Richard Gourlay from Manila.

Moro Islamic Liberation Front (MILF) rebels shattered the fragile peace in "disgust" at the leadership of President Corazon Aquino, the organisation said.

Kowloon walled city to be demolished

BY DAVID DODWELL IN HONG KONG

THE KOWLOON walled city, which China has always claimed as sovereign soil even though it is no more than a ramshackle warren of streets in the heart of urban Hong Kong, is to be cleared of its 40,000 residents and flattened to make a park.

Without prior warning, 60 teams from Hong Kong's housing department poured into the city yesterday morning—each accompanied by a plain clothes policeman—to conduct a pre-clearance survey that will attempt to discover the population of the area, and who has rights to be compensated or rehoused.

There was evidently little opposition, and no violence, once locals realised the move had Peking's blessing, the few complaints evidently disappeared. Volunteers working in the area said that most people are relieved that the Government has at last moved to eliminate the squalor that shrouds the city.

The Hong Kong Government's success in winning Peking's support for the elimination of one of the most blighted spots in the British territory was being regarded yesterday as a tribute to the headway made in Sino-British relatoins since the signing of the joint declaration on Hong Kong's post-1997 future.

For decades, the walled city—which is actually an area of about 30,000 sq yards—has been a synonym for vice in Hong Kong. Regarded as a no-go area for the Hong Kong police, it was once a haven for triads, drug traffickers, illegal gambling, prostitution, illegal businesses, and illegal immigrants.

Its tenements lacked sanitation and other basic services necessary to fend off urban squalor. Beyond the reach of building regulations, local landlords built gimcrack structures that were precarious to live in, and a serious fire hazard.

Over the past eight years, Hong Kong police have gained a firm foothold in the area. Vice has been cracked down on, though officers know of a number of "ancient prostitutes" that still ply their trade, and of illegal gambling dens. Unregistered dentists and doctors also concentrate in the area.

The status of the walled city has been anomalous ever since the convention of Peking was signed in 1898. Under that agreement, Britain took a 99-year lease on a large area beyond the originally colonised area of Kowloon, but left the Qing Dynasty garrison with the "fig leaf" of the walled city. Even today two rather sorry looking cannons "protect" the area.

Until today all efforts by the colonial government to apply controls on the area—whether it is to supply water, or ensure buildings are constructed safely—have been blocked by Peking.

Five killed in Pakistan riots

THE DEATH toll in four days of rioting in Pakistan rose to five yesterday and troops continued to patrol major streets in the northern part of the city of Karachi, reports Mohamad Aftab from Islamabad.

Officials said at least 39 persons have been injured in the violence, many of them as a result of firing by the police.

The violence started on January 8 following the murder of a Mohajir immigrant and two of his young daughters.

In Karachi, Pushtu speaking Pathans who have been involved in clashes against the Mohajirs in the past took to the streets.

Waite dampens release hopes

MR TERRY WAITE, the Anglican church envoy, met with a number of Moslem political and clerical figures yesterday amid speculation that missing British television journalist Mr John McCarthy may be released soon, Nora Boustany reports from Beirut.

The lay representative of the Archbishop of Canterbury, remained vague about the fate of Mr McCarthy, who was grabbed on his way to Beirut international airport.

"There are always heavy rumours coming from London, we shall know when we shall see," Mr Waite said.

AMERICAN NEWS

AT&T removes pregnant women from chipmaking

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN Telephone & Telegraph is removing all pregnant women from its computer chip production lines in response to a study which has found abnormally high rates of miscarriage among women working in semiconductor manufacturing.

The action by AT&T, which is one of the world's largest manufacturers of computer chips, could point to serious difficulties for the semiconductor industry around the world.

Young women make up the overwhelming majority of workers in the "clean rooms" where silicon chips are loaded with traces of rare impurities to give them their unusual electrical properties.

Strong solvents, volatile acids and rare gases, including arsenic compounds, are used in these fabrication processes and these are suspected to be the cause of pregnancy problems.

Executives in Silicon Valley expressed anxiety yesterday about the possibility of workers compensation lawsuits if links between semiconductor manufacturing and reproductive problems are confirmed — especially as there is now also concern in the medical profession about the effects of semiconductor fabrication on women of child-bearing age who are not pregnant.

AT&T's decision, which was announced on Tuesday, was motivated by a study conducted by the University fo Massachusetts and originally commissioned by Digital Equipment Corporation in 1983.

The study showed that women in the etching and gas treatment areas of DEC's semiconductor lines had a miscarriage rate of 39 per cent, compared with a rate of only 18 per cent in the control group and 20 per cent in the US population at large.

AT&T is the first major manufacturer so far to respond to these findings, which have not yet been published.

But IBM, the world's largest chip-making company, and the Semiconductor Industry Association, the trade group representing Silicon Valley, have been encouraging their women workers to consult their doctors and request transfear from the production areas if they were advised to do so.

Quebec moves to woo foreign investors

By Bernard Simon and Robert Gibbens in Quebec

QUEBEC hopes to attract a growing number of foreign investors by capitalising on a surge in business confidence prompted by the most stable political and labour climate in more than a decade.

Mr Robert Bourassa, Premier of North America's only predominantly French-speaking region, said in an interview on the eve of a trip to meet European business and financial leaders, that his 14-month-old Liberal Government had begun to meet its goals of "a more dynamic economy, more political stability and more social harmony."

Mr Bourassa's trip to Britain and Switzerland will be his first visit abroad (other than attending a Francophone summit in Paris last year) since taking office in December 1985. A group of 25 French investors is visiting Quebec.

Mr Bourassa said that he expects negotiations for Quebec to sign the 1982 Canadian constitution to start in the near future. Senior officials from Canada's 10 provinces and the Federal Government will meet next month to lay the ground work for formal talks.

Quebec's inclusion in the constitution would be an important milestone in its return to the Canadian mainstream after the turmoil caused by the separatist debate and the deep recession of 1981-83.

Besides enjoying one of the strongest economies in Canada, business confidence has been buoyed by the peaceful conclusion recently of a three-year Labour contract with public sector unions providing for an average pay increase of 4.1 per cent a year.

Ivo Dawnay reports on the unexpected new popularity of the left

Challenge of Brazil's strong man

MOURA BRIZOLA, self-proclaimed champion of the Brazilian poor and arch-bogeyman of the middle classes, will be celebrating his 65th birthday next week. Retirement is not on his mind.

Today, with the economy foundering, the two principal government coalition parties — the centre-left Democratic Movement (PMDB) and the right wing Liberal Front (PFL) — are finding their November victory in national congressional elections less palatable than Mr Brizola has found defeat.

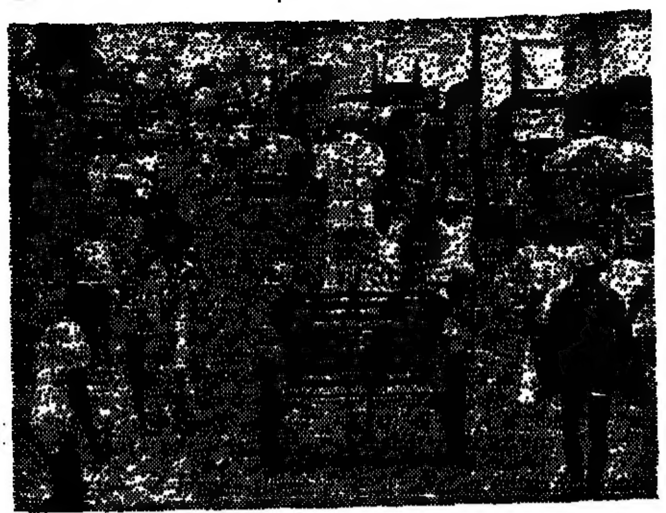
For the all-conquering PMDB, guilt has come by association. The party's landslide success was a massive endorsement of its support for the anti-inflationary, price freezing cruzado plan. But before the last ballot boxes were opened, the Government was already dismantling the freeze with price increases of up to 100 per cent.

Not even the Socialist Workers Party (PT) nor the country's two eccentric Communist groups — all fellow travellers on the cruzado bandwagon—are exempt from the fury of the electorate.

Mr Brizola's Democratic Workers Party (PDT)—reluctantly dragged by its leader into immediate outright opposition to the initially immensely popular economic programme—suffered a highly publicised and much crowed-over public defeat of its candidate to succeed to the Rio governorship. But now PDT members are struggling to stifle their smug smiles.

For Brazil's political establishment, the Brizola factor is much more than a little local embarrassment. It represents what could be the most formidable challenge to the status quo in the presidential elections to come.

The barely-whispered scenario goes as follows: the Government fails to right the economy over the coming months, provoking a still larger plunge in President Sarney's popularity ratings and in the Brazilian masses' recently enhanced living standards.



Brizola: is self proclaimed champion of the Brazilian poor who live in squalid shanty towns such as this one in Rio Verde.

Frustration with the Administration, combined with the political impatience of a number of lacklustre presidential hopefuls, would then persuade the new constituent assembly to cut his term short to the end of 1988. But in the political infighting that follows no clear establishment candidate emerges, leaving Mr Brizola, untainted by failure and cheered on by Brazil's eternally dispossessed millions, to come charging home.

The pessimist's postscript adds, without widespread contradiction, that hard on his heels would follow the tanks and another dark age of military rule.

Sitting in shirt and vest in the slightly tacky luxury of his Copacabana apartment, it is hard to see why the stocky, cheery-faced governor provokes military hard men to reach for their guns. But Mr Brizola's rags-to-riches graduation from fourth generation Italian immigrant peasants came not through the traditional Brazilian routes of coffee plantation or industrial Sao Paulo, but as an old fashioned political caudillo or strong man of the left.

Whether for nakedly opportunistic reasons, as his many disparagers would have it, or through genuine philanthropy, the young Brizola adopted the distinctly unfashionable constituency of the poor, quickly rising to be governor of the southern state of Rio Grande Do Sul.

Indisputably, his marriage to the sister of the late Jango Goulart, close associate of the Socialist-Nationalist President Getulio Vargas, was a strategic masterstroke which, love match or not, drew him close to the centre of power.

But when that brother in law's chaotic presidency collapsed under the 1964 military coup, Mr Brizola's attempt to call the workers to arms only hastened his dash into 15-odd years of exile. All the more remarkable, then, was his recovery—successfully unmasking an attempted massive voting fraud by the established parties — to win the governorship of Rio State in 1982.

Opinions on his performance vary widly. His record stands foremost on a statewide programme of school building, aimed at giving solid nourishment first and education second to Rio's thousands of orphans and underfed.

On the other hand, Mr Brizola has raised fundamental social issues that many would prefer left dormant: the gross distortions in wealth which justify TV advertisements for private jets while thousands starve, Brazil's unspoken racism and the stranglehold on power of what he calls "the elite crust."

By calling for a substantial, irreversible shift in wealth from the rich to the poor, Mr Brizola has trodden on sensitive conciences.

"We must have a regime of austerity — not of the IMF type — but on the groups that have long dominated society," he says. "We must democratise, which means giving people the opportunity to work and access to wealth."

To many on the left, the Governor represents a fearful quandry. "The trouble is Brizola poses the right questions," says Mr Fernando Gabeira, a leading left-wing opponent. "But his answer is simply 'vote for me'—old-fashioned Latin American demogoguery, in fact, everything we want democracy to rid us of."

The armed forces gave their opinion more vivdly last month on the day of an abortive general strike, supported by the Governor, against the Government's economic policies. While across the country all was calm with many working normally, Rio alone in Brazil saw tens of tanks mobilised to hold strategic points around the city.

"Just a precaution," it was explained.

Babbitt steps forward as official runner in the presidential race

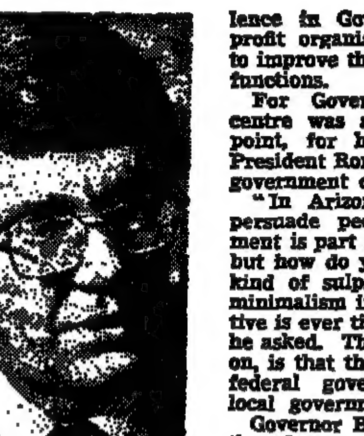
BY STEWART FLEMING IN WASHINGTON

THE FIRST official emocratic contender in the 1988 presidential election sweepstakes, ex-governor Bruce Babbitt of Arizona, took his bow on the Washington stage on Tuesday brandishing some startling ideas and a refreshing wit, a combination which he hopes will help to distinguish him from others in the pack.

It is just a week since Governr Babbitt, a scrawny and athletic 48-year-old, filed with the Federal Elections Commission as a presidential candidate, subjecting his campaign to the federal election financing laws in return for the possibility of qualifying for matching federal election funds.

The list of emocrats either pursuing the presidency or trying to decide whet'ier to, is a long one. It ranges from the likes of former senator Gary Hart and Representative Richard Gephardt, who are already running hard, to Governor Mario Coumo of New York. Mr Cuomo, like Mr Hart, is seen as a prospective front-runner but is maddening his supporters by seeming uncertain about whether to take the plunge.

So far, however, only Governor Babbitt has committed himself in a legal sense to run, an early move indicative to some extent of his position amongst the second rank of recognised challengers for his party's nomination. Even he has yet to make a formal announcement of his candidacy.



Bruce Babbitt: hat in the ring

He is already fielding questions beginning with the words "if you were president," and answering them with a directness which reflects his belief that if he is to make an impact it will have to be by playing to his strength as a man with experience in government and the intellectual curiosity to grapple with complex issues.

Both characteristics were on display this week when he took the stage in Washington for the first time as a declared candidate at the Centre for Excellence in Government, a non-profit organisation which aims to improve the way government functions.

For Governor Babbitt the centre was a natural starting point, for he is scornful of President Ronald Reagan's anti-government crusade.

"In Arizona I managed to persuade people that government is part of the solution . . . but how do you do that in this kind of sulphurous climate of minimalism in which the objective is ever tinier government?" he asked. The answer, he went on, is that the corollary of less federal government is more local government.

Governor Babbitt also argues that Mr Reagan's style of managing the federal government has been exposed as flawed. "Until Iran President Reagan, by sheer luck, had gotten away with it by saying: 'Look ma, no hands. It flies by itself'."

He believes too that the international trading system needs to be reformed and the current General Agreement on Tariffs and Trade rules replaced.

He denies that this is just another version of the closet protectionism which exists in the Democratic Party.

It is instead, he says, a reflection of the fact that the world economy has changed, that trade imbalance has become chronic and that trade flows no longer have much influence on exchange rates.

US retail sales rise by 4.4%

A CONSUMER buying spree led by purchases of new cars to reap tax benefits, pushed US retail sales up 4.4 per cent in December, the second biggest monthly rise on record, Reuter reports from Washington.

Car sales jumped 16.2 per cent from November, while other retail sales rose 6.9 per cent, spurred by Christmas shopping, according to official figures. The overall rise was second only to the 5.6 per cent advance last September.

IMF agrees $133m credits for Jamaica

BY CANUTE JAMES IN KINGSTON

AFTER 10 months of negotiations the International Monetary Fund has agreed to give Jamaica access to new credits of $132.8m over the next 15 months.

Mr Edward Seaga, Jamaica's Prime Minister and Finance Minister, who announced the agreement, appears to have successfully argued against a 10 per cent devaluation of the Jamaican dollar, which he said three months ago the fund had requested as a precondition.

Jamaica is being required, however, to keep inflation this year to below 7 per cent, about half the rate for last year. Achieving this is likely to be made easier by maintaining the parity of the currency, price controls on imported food, and a 10 per cent limit on wage rises.

The Jamaican Government has also agreed with the fund that corporate taxes will be cut from 45 per cent to 33 per cent, and that import duties, which are as high as 200 per cent, will be reduced to between 5 and 30 per cent.

Revenue losses from these cuts are to be met by increases on stamp duties on cheques, promissory notes, bonds and business licences.

A government spokesman said Mr Seaga was adamant that the Jamaican dollar, which has fallen 73 per cent against the US dollar over the past three years, should not be changed.

A devaluation would have increased political pressure on the administration, which suffered an embarrassing defeat by the Social Democrat Peoples National Party of Mr Michael Manley, a former Prime Minister, in municipal elections last July.

The conclusion of the agreement with the IMF will clear the way for Jamaica's hard-pressed economy to draw down loans totalling $60m.

The island's economy, which depends mainly on tourism and the export of bauxite, sugar and bananas, grew by 2 per cent last year, after declining by 4 per cent in 1985.

WORLD TRADE NEWS

White House to send top trade team to Tokyo for talks

THE REAGAN Administration, concerned about mounting protectionist sentiment in the US Congress, is sending a high-powered delegation to Japan at the end of the month for wide-ranging talks on trade, US officials said yesterday, Reuter reports from Tokyo.

The team, led by Mr Bruce Smart, Commerce Under-secretary and Mr Michael Smith, Deputy US Trade Representative, plans to hold discussions with Tokyo on everything from trade in pharmaceuticals to construction of the multi-billion dollar Kansai airport in western Japan.

Officials said this was the first time in their memory that two such senior officials were going to Tokyo for talks at the same time.

A senior US official said the meetings during the week of January 26 are being held at the request of Washington and reflect its concern about protectionist sentiment in the US.

With the Democratic Party now in charge of both houses of Congress, the Republican Administration needs to show it is taking action to tackle the huge US trade deficit, he said.

Although the final agenda of the meetings has yet to be set, some of the issues be discussed parts and semi conductors. The US officials also want to talk about giving foreign lawyers greater freedom to practice in Japan.

But the focal point of the visit is likely to be US calls for greater foreign participation in construction of Kansai airport,

Washington is even considering sending Mr H. P. Goldfield, Assistant Commerce Secretary, to Japan next week for talks

With many US Congressmen seizing on the issue as symbolic of what they see as Japan's closed markets, a top US official expressed pessimism about the ability of the Administration to strike a deal with Japan quickly enough to satisfy US pressure groups.

Zambia plan for $430m debts collapses

By Victor Mallet in London

ZAMBIA'S plan to start repaying short-term external debt arrears totalling about $430m (£307m) has collapsed because of a severe shortage of foreign exchange, the central bank has announced.

Dr Leonard Chivuno, governor of the Bank of Zambia, said in a statement in Lusaka that the dismantling of the so-called "pipeline" of trade and personal debt arrears had been postponed indefinitely.

Details of a scheme for issuing promissory notes to trade creditors, for payment in the years up to 1996, were released less than five months ago. The pipeline goes back to the 1970s.

Zambia's admission of defeat follows a weakening in the price of copper, its main export, and problems with the International Monetary Fund (IMF).

The IMF has been supporting an economic austerity programme but has suspended payments to Zambia because the country is in arrears to the Fund.

Uncertainty in Zambia has been heightened by recent riots against the effects of economic austerity and by President Kenneth Kaunda's hostile stance towards South Africa.

While the scheme for paying pipeline debts is on ice, the only way of settling claims will be in kwacha, the local currency, for reinvestment in approved productive enterprises in Zambia, Dr Chivuno said.

Up to $400m of the pipeline is for trade and $30m for outstanding personal remittances. The Bank of Zambia says it will do its best to settle the personal remittances because of the hardships suffered by individuals, although payments will depend on foreign exchange inflows.

Britain, the former colonial power, is the single largest creditor country in the pipeline, which does not include bank debt.

Canute James reports on the far-reaching effects of a US policy on garment imports

Textile revolution takes place in Caribbean

A VIRTUAL revolution is taking place in the Dominican Republic's garment industry as a result of market opportunities created by a new US imports policy. But the spectacular growth in shipments registered by the Republic and elsewhere in the Caribbean is making the US industry more than a little uneasy.

US Commerce Department officials have rejected suggestions that they intend to make the Caribbean a major source of supply in an attempt to slow what the Administration regards as excessive rates of growth in imports from the Far East.

However, the US has made it possible for the region, which in 1985 supplied 5 ptr cent of the country's garment imports, valued at $590m, to increase its market share to what Caribbean trade officials suggest could be 12 per cent by the middle of this year.

The Commerce Department's figures indicate that such rapid growth is possible. Caribbean textile shipments to the US between January and July of last year totalled 337m square yards equivalent, 53.5m more than during the corresponding period of 1985 and more than twice the average growth rates for all US imports.

Ironically, Caribbean garment exports to the US are denied duty-free entry under the Reagan Administration's Caribbean Basin initiative, a 12-year trade incentive implemented in 1984, which allows designated countries preferential access for a range of products.

Access level

But the region has been making use of Item 807, which allows the re-export of assembled garments and other products. Duty at low rates is charged only on the value added in the Caribbean.

However, a more recent facility is causing disquiet in the US industry. Caribbean states have been offered guaranteed access levels for garments assembled in the region from cloth made and cut in the US.

The access levels, established in bilateral negotiations with the US Commerce Department, are based on existing and potential production capability.

The US International Trade Commission reports that the Dominican Republic's shipments of garments to the US are worth $200m per year and that the country is now the 12th largest among 41 suppliers of manmade fabrics to the US and the 17th largest among 41 suppliers of cotton fabrics. Dominican cotton fabric exports to the US last year grew by 35 per cent to 85.3m square yard equivalent.

The Dominican Republic, which has been attracting investors from the US and the Far East, is expected to increase garment exports to the US by 50 per cent this year, bringing employment in the garment industry to 150,000.

Island exports

Jamaica's growth has been even more spectacular. According to Mr Douglas Vaz, the junior minister for industry, the island exports in the first six months of last year totalled 21.66m square yards equivalent, against 8.39m in the corresponding period of 1985.

Export earnings of $43.88m between January and June of last year were 90.5 per cent higher than the corresponding period of 1985 and it is on this basis that Mr Vaz suggested total earnings from garment exports for 1986 at $85m, following earnings of $54.27m in 1985.

Significant expansion is also expected in Haiti, Costa Rica, Barbados, El Salvador and Honduras. According to the US Commerce Department, the basis of the expansion was laid through investment by US companies of $28m in apparel assembly operations over the 18-month period before June 1985.

US garment producers are particularly unhappy with the new policy for the region under which the guaranteed access levels are being negotiated. Jamaica was the first country to sign an agreement with the US Commerce Department. Over a 16-month period ending December 1987, the island will be able to ship to the US 2.575m dozen brassieres and 3.59m dozen shirts and trousers of cotton and manmade fibre, representing a 107.6 per cent increase on previous shipments.

The US National Knitwear and Sportswear Association and the American Textile Manufacturers Institute are concerned about an explosion in imports of cheaply-produced Caribbean garments through agreements such as these. The American Apparel Manufacturers Association is advocating a reduction in imports from the Far East to prevent injury to US producers.

Tighter policing

But the beneficiaries are finding participation in the big league is not without dangers. The Commerce Department has warned about penalties for abuse of the special privileges for access to the US market and already there are signs that tighter policing is needed.

Mr Peter King, executive director of Jamaica's National Export Corporation, said recently that while official figures showed that 500,000 dozen brassieres had been shipped to the US, the Commerce Department's figures said 700,000 dozen had been received. "The 200,000 dozen attributed to us cannot be accounted for."

Channon likely to raise offset deals in Saudi talks

BY RICHARD JOHNS

THE ISSUE of "offset investment" by UK companies against British Aerospace's contract to supply Saudi Arabia with 132 aircraft and related services is expected to be raised during the visit of Mr Paul Channon, Secretary of State for Trade and Industry, to the kingdom this week.

No firm commitment was made when the first three letters of acceptance worth about $5bn (£3.5bn) were signed under a government-to-government agreement last February on a compensatory reverse flow of capital, UK officials and BAe continue to stress.

Fulfilment of the "understanding" relating to the deal reached at the last minute the request of the Saudi Government could prove a difficult problem if Riyadh continues to insist that joint ventures should be established.

So far, no feasible projects have been identified of the kind that might satisfy the Saudi wish for a transfer of technology.

Mr Channon departs this evening for a three-day visit to Saudi Arabia, evidently prepared to pledge his department's willingness in furthering collaboration between the private sectors of the two countries but no more.

The most obvious projects are said to have already been singled out by US companies involved in implementing the $3.5bn "Peace Shield" early warning and battle field communications system.

This deal, won by a consortium led by Boeing early in 1985, involved a firm commitment on investment by joint ventures amounting to 35 per cent of the contracts concerned.

Second phase of Indonesia telecom order open to all

BY JOHN MURRAY BROWN IN JAKARTA

COMPETITION for Indonesia's lucrative second-phase digital telecommunications contract will not be affected by the successful network tender by AT&T-Philips, the US-Dutch joint venture, according to industry officials in Jakarta.

The tender, to improve and expand existing systems in Jakarta and Surabaya, Indonesia's second city, is worth $200m (£142m) and will be 25 per cent financed by a Dutch Government soft loan.

The key second phase order, which complements the $170m contract won by Siemens AG of West Germany in 1982, is to supply digital telephone exchange switching systems. It will be worth $700m initially and take Indonesia into the next century.

The list of bidders includes Alcatel, the new French-US joint venture, AT&T-Philips, L. M. Ericsson, Plessey UK, Italtel, and NEC Corp and Fujitsu of Japan.

In November, the Government completed a fact-finding mission to assess the long-term reliability of systems on offer and the finance terms available.

The eventual winner is likely to have considerable soft loan backing from its Government.

The Indonesian Government has already named P. T. Nusamba as the local partner.

Abu Dhabi to press on with power plant

ABU DHABI is to proceed with the $650m (£464m) second phase of the al-Taweelah power and desalination complex, one of the largest projects in the United Arab Emirates, Reuter reports.

The official Emirates news agency WAM quoted Saeed Atiq, assistant Under-Secretary of the Emirate's Water and Electricity Department, as saying the second phase consisted of a 400mw power station and a 40m gallon-a-day desalination plant.

Tenders for the project, due for completion in 1990, would be issued shortly, he added.

Swiss choose BAe Hawk as air force trainer jet

BY DAVID BUCHAN

THE SWISS defence ministry announced yesterday it had chosen the British Aerospace (BAe) Hawk in preference to the French-German Alpha jet for the new advanced trainer jet for the Swiss air force.

The ministry's recommendation, which needs parliamentary approval, is expected to result later this year in a contract for 20 Hawks worth SwFrs 395m

They would replace by 1990 the British-built Vampire trainer jets which the Swiss air force has had for nearly 30 years.

The Swiss ministry said that both BAe and the French-German consortium of Dassault-Brequet and Dornier, makers of the Alpha, had agreed to place offset work with Swiss industry up to the full value of the sale.

But the ministry preferred the Hawk because of its lower price, stronger airframe and better cockpit visibility.

The deal will further cement BAe's commercial ties with Switzerland. BAe has been instrumental in the sale of 30 PC-9 trainer jets made by Pilatus of Switzerland to the Saudi air force.

BAe has an accord with Pilatus for the export promotion to third countries of a trainer jet "package"—PC-9s as initial trainers and Hawks for advanced training.

UK NEWS

High coal stocks aid fight against blackouts

By Maurice Samuelson

BRITAIN'S electricity industry was yesterday fighting to keep the lights on as it faced its biggest challenge since the miners' strike of 1984-85.

Rail movements of power station coal were cut to only 15 per cent of scheduled deliveries but, as in the miners' strike, high levels of stocks in power station yards were one of the reasons for the Central Electricity Generating Board's lack of concern.

But the contrasts between the big freeze and the miners' dispute are even more striking than the similarities. This time, the flow of coal to power stations is cut not hy militant train drivers but by General Winter, whose prolonged absence from the battlefield two years ago helped smash the strikers' victory prospects.

In some respects, today's problems are even more daunting because the freezing weather rules out any option of switching railborne coal to roads.

The pits are producing at a high level but the icy weather has crippled many coal preparation washeries,

Another difference is that in the strike, the CEGB was burning almost as much oil as coal to eke out coal supplies—it was even burning oil in coal-fired stations. This time, with coal in plenty, the coal-burners are running flat out,

The contrast between the two power crisis is visible on the large, illuminated diagram of the national grid in the CEGB control centre near London's Southwark Bridge.

During the strike, it showed that the nation's electricity was being generated in the centre and south of the country and distributed northwards. It now shows that the system is operating as it was designed, with the North, North East and Midlands pushing as much power as possible to the wintry South and to East Anglia.

But, as in the days of the strike, the CEGB officials yesterday exnded the same calm confidence of avoiding power cuts. Although demand is higher than anything the Board has previously encountered, it took comfort from the fact that the snow has so far been dry and powdery. When the South West was blacked out in December 1981, the trouble was not lack of capacity: but ragin gblizzards, the clashing iced-up conductors, and the heavy thaw.

raging blizzards, the clashing of iced-up conductors, and the 1,000 MW from Electricité de

Even so, with its available capacity down to a little over 50,000 Mw, yesterday's lunchtime demand reached a record 47,200 Mw, 6,000 Mw more than last year's record lunchtime peak.

Although the CEGB is able to squeeze rather more out of its power stations than they are descigned to generate, its main margin of safety this week has been the power imported from Scotland and France.

For the past two days it has been buying 1,000 MW from the South of Scotland Electricity Board, which says it has been supplying its own customers without difficulty.

Last night, too, the CEGB was hoping to receive another 1,00 MW from Electricité de France through the cables cut into the bed of the English Channel. However, because of technical faults in France, EdF was prevented from supplying the cables' full 2,000 MW capacity, which was officially commissioned less than three months ago.

Men and Matters, Page 24

Builders seek unused farmland

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

A MERE fraction of the redundant farmland in Britain would be enough to provide all the extra land required for housing until the end of the century, says a study from the House-Builders' Federation.

Increased agricultural productivity and stricter European Community policies on food surpluses have meant that between 2.4m and 4m acres of farmland will become redundant over the next ten years.

Pressure to protect the countryside—and to allow sufficient land for building houses, particularly in the south-east where demand is strong and land prices rose by 29 per cent last year—make this a hot political issue.

Uses for the surplus land—including small industry, forestry, riding schools and golf courses, as well as housebuilding—were discussed yesterday at an inter-departmental committee, chaired by the Ministry of Agriculture. No decision was reached.

Mr Nicholas Ridley, Environment Secretary, is known to oppose building in the countryside — his position being popular with Conservative voters — and to be determined to cut the number of new houses built in the south-east.

But housebuilders argue that there is already a shortfall in the number of new houses being built. The current rate is 50,000 new homes a year less than the 250,000 to 280,000 that the Royal Institution of Chartered Surveyors estimates to be needed to cater for new households and changing regional demands.

This target of 50,000 extra houses a year could be met by making available fewer than 5,000 acres of land—"a small fraction of the redundant agricultural land," said Mr Peter Short, federation president.

"We suggest that much less than 200,000 acres over the next 13 years would give us all the building land we need to make up the shortfall of houses and allow for other developments and that this is only a small part of the 4m acres of surplus agricultural land."

The builders' pleas may crumble in the face of Mr Ridley's determination to cut the number of new houses built in south-east England to 46,000 a year in the 1990s, from the present 63,000 houses, and the move by the Environment Department to allow local authorities such as Berkshire to reduce the number of houses built in their areas.

Mr William Waldegrave, Planning Minister, has emphasised that there is no question of sweeping away controls on redundant farmland or of building tower blocks in farmyards — but that small-scale developments are still possible.

Plan to train 4,000 construction workers

BY OUR CONSTRUCTION CORRESPONDENT

A PLAN to train 4,000 people as skilled workers in the building industry is being prepared by the Construction Industry Training Board.

Strong demand for shops, offices and houses for sale means that the industry is suffering a severe shortage of skilled craft workers, especially in the south-east.

Mr John Patten, Housing Minister, has asked the board to prepare a report before Easter on ways to put 4,000 extra people into training in the industry by the end of the year.

Skilled workers are needed urgently so the board has also been asked to look at quicker training than the traditional three-year apprenticeship. This could include shorter general craft training courses for school-leavers and quick retraining for unemployed adults.

The shortage of skilled workers is partly because construction companies cut their training programmes when workloads declined in the early 1980s. These have recovered but companies have not increased their training to match so there are only 18,000 apprentices in training while 22,000 are needed.

"Construction industry workloads have grown for the sixth year running, with a growth of 3 per cent to 5 per cent predicted for 1987," said Mr Patten, announcing the initiative after talks with construction industry leaders yesterday.

"Workloads in the south-east are now back to the levels of 1978, but the industry has continued to cut its training, giving a crocodile jaws effect of workloads going up while training goes down. The industry too often regards training as a cost, rather than an investment which will lead to improved output," he added.

The board has funds to cover the cost of setting up quick courses, companies having continued to pay training levies to the board. It may be able to offer larger training grants to companies as an incentive to take on more workers for training.

Volume on Liffe up 96%

By Alexander Nicoll

VOLUME ON the London International Financial Futures Exchange rose 96 per cent last year to a record 6.95m futures and options contracts.

The daily average volume of 27,475 contracts—of which 25,578 were futures contracts—represented a turnover of £6.1bn each day.

The year was marked by a surge in trading of contracts based on government securities and particularly long-term UK gilt-edged bonds. Liffe's long gilt futures showed a 282 per cent increase in volume to 2.61m contracts over the year, worth a total of £130.6bn. The exchange also launched an option on the contract during the year. It traded 275,081 contracts.

Gilt futures and options are expected to continue their rapid expansion this year following Big Bang reforms in October, which expanded the number of market-makers needing to use Liffe either to protect their gilt market positions or as an additional trading market.

Volume in US Treasury bond futures rose 146 per cent during the year to 1.54m contracts, worth $154bn, and futures on three-month sterling interest rates expanded 94 per cent.

The three-month Eurodollar deposit future, which had been easily the exchange's most popular contract in 1985, showed a 14 per cent decline in volume last year to 1.1m contracts, though these were worth a total $1,104bn.

Liffe's currency futures contracts, which have always struggled to develop large volume, showed a 53 per cent decline,

● The Stock Exchange said yesterday it was introducing options on Woolworth shares, acting for the first time at the request of the company concerned. The addition, from January 22, will bring the number of equity options traded at the exchange to 43.

Liffe yen bonds, Page 34

Morgan tops merger table

BY MARTIN DICKSON

MORGAN GRENFELL, at the centre of controversy over its takeover tactics in the Guinness affair, kept its place in 1986 as Britain's leading merchant bank for merger and acquisition work, according to figures published by Financial Times Mergers and Acquisitions, a monthly magazine.

Its figures sho wthat Morgan Grenfell advised on bids for publicly quoted and private UK companies worth £13.3bn last year, well ahead of its traditional rivals Kleinwort Benson and S. G. Warburg.

A significant feature of the year was the strong position in UK domestic takeover activity built up by Goldman Sachs, the US investment bank, which was a joint adviser on several leading takeover bids.

It joined Hambros in the unsuccessful attempt to prevent Imperial Group falling to Hanson Trust's £2.6bn bid and helped N. M. Rothschild and Charterhouse in the successful defence of Woolworth Holdings against Dixons.

Another feature was the strong showing of Charterhouse, one of the smaller UK banks, which was joint adviser in several of the year's largest bids, including Argyll Group's unsuccessful £2.5bn bid for Distillers, in which it was joined by Samuel Montagu and Noble Grossart.

However, the method widely used to rank merchant banks (see table one) is regarded by many in the City as distorting the relative strengths of the various houses, because of the number of particularly large bids involving complex rival offers and several joint advisers.

Table one allows a merchant bank advising a company to double count rival bids for the group. It also allows each merchant bank involved in the team advising a company to claim the full value of that bid.

Table two removes the double counting and divides the value of the bid between the various advisors. The result is a substantial change in the ranking, with the smaller banks, such as Charterhouse, dropping down the list. So too does Goldman Sachs, which has yet to act as sole advisor to a UK company making a bid for another publicly quoted group.

UK MERGERS AND ACQURSTIONS IN 1986
(Offers for both publicly quoted and private companies)
The leading financial advisers—Method 1*

Financial adviser	No of deals	(Quoted cos)	Value £m
Morgan Grenfell	79	(51)	13,229
Kleinwort Benson	84	(58)	12,301
Goldman Sachs	9	(7)	9,744
S.G. Warburg	50	(34)	8,783
Hambros	47	(26)	7,605
N.M. Rothschild	31	(18)	7,138
Charterhouse	40	(19)	6,415
Schroder Wagg	62	(24)	4,372
Robert Fleming	54	(26)	5,652
Hill Samuel	73	(39)	4,898
Samuel Montagu	26	(14)	4,742

* Figures allow banks full value of bids where more than one adviser, and allow advisers to claim the value of two competing bids for a company. Figures include both deals for publicly quoted and private companies completed within the year.

LEADING FINANCIAL ADVISERS —METHOD 2*

Financial adviser	£m value of bids
Morgan Grenfell	11,496
Kleinwort Benson	8,476
S.G. Warburg	6,345
Hill Samuel	4,898
N.M. Rothschild	4,552
Schroder Wagg	4,422
Hambros	3,598
Charterhouse	3,453
Goldman Sachs	3,417
Samuel Montagu	3,045
Robert Fleming	1,922

* Note: Table adjusted to eliminate advisers claiming the value of two competing bids for a company and dividing gross value of bids between joint advisers.

NatWest appoints deputy chairman

SIR EDWARD NIXON, chairman of IBM UK, has been appointed one of National Westminster Bank's three deputy chairman with effect from May 1.

Sir Edwin, 61, has been a member of NatWest's board since 1975 and is also a director of Royal Insurance and the Royal Opera House.

He will replace Sir Anthony Touche, 59, who is retiring as a deputy chairman but will remain a NatWest director.

Company share issue alleged to breach law

BY PHILIP COGGAN

A BUSINESS expansion scheme issue from Kephasian Leisure is sharply criticised in a research document as having "total disregard to a number of the mandatory requirements of the Company's Act 1985."

Kephasian's issue, sponsored by Capital Matchmakers, a Banbury-based group, aims to raise £2.5m by the issue of 5m ordinary shares at 50p each.

The company has not yet traded but hopes to expand on the base of a public house, the Cartwright Arms, which in the year ending September 1985 made net profits of £5,850 on turnover of £150,000.

By expanding into hotels, nightclubs and discotheques, Kephasian forecasts pre-tax profits for the year to December 31 1987 of £275,600 on sales of £2.35m.

The research report, issued by BES Investment Research, casts doubt on the commercial soundness of the venture and cites three instances where it alleges the requirements of the Companies Act have been breached.

First, a sale price of £175,000 for the Cartwright Arms proposed by three members of the Down family—two of whom own Kephasian—does not specify a figure for goodwill, as required by the third schedule of the Act.

Second, under Section 61, statements of consent from experts should have been endorsed or attached to the prospectus along with their opinions.

Third, under Section 64, a prospectus must be lodged before its issue with the Registrar of Companies.

According to BES, the Department of Trade has "no record of having received a prospectus." The sponsors sav the prospectus was sent.

Mr Ralph Fagan, of sponsors Capital Matchmakers, disputes BES's other claims. He says normal accounting practice only discloses the amount of goodwill if it is more than 10 per cent of the purchase price.

He says that in any case, the sale is conditional on an adequate subscription response to the Kephasian issue

If that happens, sale documents will be circulated to shareholders.

Mr Fagan also claims that statements of consent do not need to be included with the prospectus and that all relevant documents can be inspected at the offices of the accountants and auditors.

However, the relevant section of the Act seems to bear out the view of BES Investment Research on this point.

ICL and Geisco plan joint venture

By David Thomas

ICL, the largest British-owned computer company, has formed a jointly owned subsidiary with Geisco, the information services subsidiary of General Electric of the US, in the fast growing market for the electronic interchange of business information.

This allows companies to carry out business transactions, such as ordering and invoicing, by computer.

The joint venture is Geisco's first in the UK and ICL's first in the area of value added services by telephone. The project fits into ICL's strategy of developing operations through joint ventures.

ICL and Geisco have been discussing the company, to be called International Network Services (INS), since July.

The joint venture, to be owned 60 per cent by ICL and 40 per cent by Geisco, will start with more than 450 existing customers of ICL and Geisco.

ICL is transferring almost all its value added network business to the joint venture and Geisco is putting about 10 per cent of its UK operations into it.

The new company will start with about 100 staff, about two-thirds from ICL and the rest from Geisco.

Mr Peter Gershon, ICL's director of network systems, said ICL would benefit through having access to Geisco's international network.

Dr Colin Bell, managing director of Geisco UK, said his company was keen to collaborate with ICL because of ICL's strength in the UK market, particularly in the manufacturing, retailing and distribution sectors.

The joint venture will take over ICL and Gleisco networks aimed at particular market segments.

ICL will be making over to the joint venture its Tradanet retailing network, its Brokernet insurance network and its Drugwatch pharmaceutical network. Geisco will make over its Motornet network for the motor industry.

The joint venture is aiming for sales of £50m a year though the target will not be achieved for some years.

Plessey wins DHSS digital telephone order

By Terry Dodsworth, Industrial Editor

PLESSEY Communication Systems, the private telephone exchange subsidiary of the Plessey electronics group, has won an order from the Department of Health and Social Security, to set up one of the country's largest digital telephone networks.

The £3m order entails the supply of 57 exchanges, of between 40 and 400 lines each, throughout Britain. The company will also rewire buildings where necessary and provide maintenance, over a 10-year period, for the 7,000 lines in the system at an estimated cost of £1m.

Plessey's contract underscores the trend among large customers to cut costs by buying rather than leasing telecommunications equipment. The change to digital exchanges reflects the growing need for the transmission over telephone lines of data, as well as voice messages.

Sales by the Plessey Communications Systems division will be worth about £60m this year, almost double the figure of four years ago.

Building society names chief executive

THE National & Provincial Building Society, the UK's seventh largest, which has been without a chief executive for three months, has appointed Mr Benedict Thompson-McCausland to the post.

Mr Thompson-McCausland, 48, is a chartered accountant and for the past six years has been chief executive of London Life Assurance. He joins the society when it is planning to diversify its traditional mortgage-related business into stockbroking and banking services.

Societies have traditionally filled top posts from within their own ranks, but have had to employ outsiders in recent years to help them develop strategies for the more competitive environment in which they operate. The 1986 Building Societies Act, which came into force at the beginning of this year, will accelerate this.

Mr Thompson-McCausland replaces Mr John Richardson, who retired because of ill-health last September. Mr Terry Carroll, the general manager for finance, has been acting chief executive.

Scheme aims to reduce uncertainty of house purchasing

BY RAYMOND HUGHES

THE misery and cost of uncertainty involved in some house purchase transactions could be reduced under a scheme devised by the conveyancy standing committee.

The committee, which is appointed by the Law Commission, has come up with a voluntary pre-contracts deposit scheme designed to introduce a greater element of commitment into the relationship between vendor and purchaser.

It suggests that when a sale has been agreed subject to contract each side should put down a deposit of one half per cent of the purchase price and agree that contracts be exchanged within four weeks.

If either side defaulted without good reason—defined in the agreement—he or she would forfeit the deposit.

Professor Julian Farrand, committee chairman, said yesterday the committee had received many complaints from purchasers who had been gazumped and from vendors who had been let down by time-wasting or non-serious purchasers.

He acknowledged the scheme would not remove the problems caused, for example, if a vendor got a better offer in excess of the deposit or a purchaser saw house prices falling rapidly. They would probably not then be put off withdrawing.

However, he said, the disappointed party would at least be compensated to some extent for the costs borne. Also, if someone refused to pay the deposit the other party would be put on guard from the outset.

mentary seats" contested

The agreement document sets out circumstances in which a party could withdraw without losing his deposit:

fects not realeved by the vendor

● If a purchaser discovered de- that reduced the open market value by more than the deposit.

● If the purchaser fails to get a satisfactory mortgage.

● If either party insists on an unacceptable contract term.

● If either party had a problem through being in a chain of sales and purchases.

The committee recognised that delays could result from some local authorities taking more than four weeks to deal with search inquiries. The agreement therefore provides for the four weeks to be extended until a week after the local authority has replide to the searches and inquiries.

Professor Farrand saw the scheme as a useful, practical step towards shortening the period of uncertainty.

UK NEWS

Directors call for budget tax cuts of £4bn

BY JANET BUSH

BRITISH BUSINESS leaders will today urge the Government to cut taxes by £4bn in this year's budget and to maintain its commitment to zero inflation by re-establishing the money supply as an important determinant of policy.

In its submission for the 1987 Budget to Mr Nigel Lawson, the Chancellor, the Institute of Directors calls for a 3p reduction in the basic rate of income tax in the fiscal year 1987-88. It also wants 10p off the higher tax rate.

A reduction in the rate of corporation tax paid by small companies is included in the proposed tax cutting package, as are lower inheritance taxes and an increase in the value added tax threshold.

A delegation from the institute headed by Sir John Hoskyns, its director general, is to meet the Chancellor next Tuesday. It will ask him to commit the Government on Budget day to a long-term strategy which both cuts taxes and reduces government spending.

The instiue said: "Tax cuts are a necessity, not a luxury, if the British economy is to regain its former international competitiveness. The luxuries are excessive government spending and a subjective and incoherent monetary policy."

Sir John said he believed the increases in public spendin. announced in November's Autumn Statement were the product of internal political pressures. The Chancellor should treat the rise in spending as a temporary election year aberration.

The institute said tax cuts of £4bn in the first year — with the whole cost incurred within fiscal 1987-88 — would be well within the bounds of financial prudence. They should be funded by the sale of public assets and by a £1.5bn increase to £8.5bn in the planned Public Sector Borrowing Requirement next fiscal year.

It calculated the net cost of a £4bn fiscal adjustment would be only about half that figure once supply-side effects were taken into account.

It said: "Britain has paid a heavy price in jobs lost and tax cuts foregone for the fiscal conservatism that has dominated policy." The Government was unnecessarily obsessed with the PSBR, Sir John said.

The institute urged the Government to re-establish the quantity of money as a determinant of policy and to utilise a weighted indicator of money supply.

Institute of Directors Budget Representations, IoD Policy Unit, 116 Pall Mall, London SW1Y 5ED. £2.95 plus 35p postal charge.

Whitehall 'has not become politicised'

By Hazel Duffy

MRS THATCHER, the prime minister, is cleared of accusations that she has systematically "politicised" the civil service in an independent report* published today.

But the authors of Top Jobs in Whitehall argue that there must be greater openness about the system of selection for senior civil service jobs if rumours of politicisation are not to flourish.

Interchanges within the public sector and movement between Whitehall and the private sector should become the norm, while senior civil service jobs should be advertised to encourage outsiders as well as existing officials to apply, says the report.

The report was prepared by an eight-member working group of the Royal Institute of Public Administration, chaired by Professor David Williams, a leading administrative lawyer. Two former Cabinet ministers – Lord Barnett and Mr David Howell – were members of the team which also included Sir Kenneth Clucas, a former permanent secretary.

The authors say the system by which senior appointments and promotions are made in the civil service is "shrouded in secrecy." (Sir Robert Armstrong, head of the civil service, agreed to help the inquiry only with factual information.) The report, therefore, was "assembled only with difficulty."

The author's understanding, however, is that when Sir Robert makes recommendations to the Prime Minister concerning promotion to permanent secretary (the top departmental rank), he now presents a short list of names with an order of preference.

But the authors do not believe candidates are on the basis of a their support for particular political ideologies; "style rather than political belief is important," they say. That style is characterised as "an active and decisive approach, rather than the traditional style which lays greater emphasis on analysis of options."

* *Top Jobs in Whitehall. RIPA, 3 Birdcage Walk, London SW1H 9JH. £4.50.*

Commerce disrupted as staff stays home in snow

BY PHILIP SHERWELL AND NEIL BENNETT

INDUSTRY and commerce throughout Britain was severely disrupted yesterday as further heavy snowfalls prevented thousands from travelling to work. Food supplies ran short as many towns were cut off.

At least 124 people have been killed by the arctic conditions throughout Europe.

Temperatures dropped to a record −42 C in Eastern France. London recorded its coldest January day of −8 C since records began in 1940.

In the City of London, less than half the staff turned up to many banks and stockbroking firms as commuters were forced to stay at home. British Rail's southern region estimated only 3 per cent of its trains were operating. Waterloo station, one of the biggest in Europe, was closed for over an hour in the morning due to frozen points and snow drifts.

Hill Samuel, the merchant bank, were so short of staff that they stopped their foreign exchange interbank trading. Merrill Lynch, the US financial services group, put staff in hotels for the second night. At Lloyd's less than half the underwriters were present by mid-morning. Staff held sweepstakes on how many brokers would come in.

Clearing banks and building societies faced severe staff shortages. Some branches stayed closed all day while others had to limit their opening hours.

In the south of England people queued for food. Shops stayed closed or shut early. In Maidstone, Kent, the UK headquarters of Safeways, the supermarket chain was unable to supply its stores with all but bread and milk. Staff walked up to eight miles to reach the offices.

Yesterday morning the London-bound carriageway of the M2 was the only trunk road open in the county. More than 40 other major roads were blocked. Police warned the public not to leave home unless they had "a life or death trip to make."

There was a similar picture along the east coast. In Southend, Essex, Sogat 82, the print union, has been forced to cancel committee meetings scheduled for later this week. It fears executive members will be unable to reach the town.

At least 150 schools were closed in Essex as were all of Lincolnshire's 400 state schools. Boston hospital was only accepting emergency cases while a couple near Gainsborough spent the night in an igloo in their garden.

The Pennines have ensured that north-west England has escaped the worst of the weather. All trans-Pennine roads, however, were closed by the end of the day.

Companies face delays over regional development payments

BY HAZEL DUFFY

COMPANIES face an official two-month delay in the payment of regional development grants by the Government in 1987-88. The moratorium, announced in the House of Commons yesterday, will be imposed following an overshoot of at least £100m in the budget for regional grants in the current financial year.

Notice of the moratorium, given by Mr Paul Channon, Trade and Industry Secretary in a parliamentary answer, led to the accusation by Mr John Smith, Labour spokesman, that the Government is "undermining recovery in the regions," having had last week "to admit to the extent of the deepening north-south divide."

The payments delay affects schemes which have received approval for the new-style regional development grants, which came into effect in November 1984. These were to help create jobs and cover service and manufacturing industry.

An attempt by Labour Scottish Spokesman, Mr Donald Dewar, to find out how long the moratorium would last and how much it would save the Government did not succeed.

The Government will have to do something if it is to meet its original target of cutting regional aid expenditure the main reason for introducing the new scheme.

The allocation for new and old-style regional grants was £390m for the current year. Payments are still being made under the old scheme, which have been subject to a four-month payments delay after approval of the scheme since early 1985.

The Allocation has already been topped up in supplementary estimates to £491m and the DTI is holding discussions with the Treasury about the need possibly for a further increase this year.

The amount specified for 1987–88 is £419m. This is 9 per cent higher than planned in last year's policy document. However, it includes regional selective assistance (not confined to development areas) which this year is costing £166m in England, Scotland and Wales.

Entitlement to regional development grants, however, as opposed to regional selective assistance, is virtually automatic. This means that the scheme is demand-led, which makes accurate forecasting difficult.

The increase in demand reflects probably a growth in expansion schemes and possibly a greater understanding of the more complex requirements to qualify under the new scheme.

Tourist spending falls only 3% despite fewer visitors

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

THE NUMBER of overseas visitors to Britain may have fallen sharply last year, but those who made the trip appear to have spent more freely than in the past.

Latest figures from the British Tourist Authority show that in the first 10 months of 1986 the number of foreign visitors was 6 per cent lower than in the comparable period of 1985, but spending was down only 3 per cent at £4.6bn.

The figures indicate a strong recovery from the early part of the year, when tourists and business visitors were deterred by fears of terrorism, the aftermath of the Chernobyl nuclear accident and bad weather

In October 1.17m visitor arrived—3 per cent more than in the same month the previous year. Visits by North Americans were 14 per cent lower than in October 1985, but a 16 per cent rise in West European visitors seems to have more than offset both this and a 12 per cent drop in numbers from the rest of the world.

Spending by overseas residents during the month was only 1 per cent less than the previous year

DISTRIBUTIVE TRADES SURVEY

Record retail sales for December

BY JANET BUSH

BRITISH retailers enjoyed record sales in December, although business did not quite match their optimistic forecasts in November and some were left with more stocks than they wished, according to the Confederation of British Industry

The latest CBI / Financial Times survey of the distributive trades showed, however, that wholesalers and motor traders moved more goods in December than expected.

The outlook for sales in January is promising, with more than half the 601 respondents to the survey expecting sales to be greater than the same month last year.

Mr Nigel Whittaker, new chairman of the survey panel, said retailers had reported good new year sales business but the cold weather could hit trade. A straw poll by the CBI showed that most stores had remained open, despite the weather, but some had been closing early. there had been fewer customers and some delivery problems, he added.

In December, grocers, clothing shops and retailers of household textiles and furniture reported the best sales growth: grocers especially expected a further healthy increase in sales this month.

In percentage balance terms. plus 54 per cent of respondents reported retail volumes higher than a year ago last month, the same as the November balance. A balance of plus 45 per cent expected sales in January to be higher than in that period a year ago. This compares with plus 62 per cent. who had anticipated stronger sales growth in December.

The growth in orders placed last month was in line with expectations, but a deceleration of this rate of increase is anticipated in January. The balance of retailers reporting excessive stocks rose slightly.

However, in all sectors, the balance of distributors anticipating stock levels in January to be too high, in relation to expected sales, was the lowest since this question was included in the survey in January 1985. according to the CBI.

Wholesalers reported much better than expected sales growth and orders in December. A balance of plus 57 per cent said that sales were higher than a year before, compared with plus 33 per cent in November who reported sales higher than a year earlier.

A balance of plus 50 per cent of wholesalers expected sales volumes to show a further increase in January

Small investors snub personal share plan

BY HUGO DIXON

THE small investors is not buying personal equity plans (PEPs), the tax-free equity investments originally devised for small investors.

Mr Nigel Lawson, the Chancellor of the Exchequer, announced the scheme in last year's budget in the hope that it would spread share ownership. To encourage this, investors do not have to pay income or capital gains tax on their investments provided they keep them in a PEP until the end of 1988.

PEPs have been on sale for 10 days and a straw poll of four financial institutions selling the plan shows that the average level of investment is £2,000 – not much less than the £2,400 maximum. About 70 per cent of investors are choosing to make lump-sum investments rather than spread their payments over the year.

This indicates that investors who are relatively well-off and probably already own shares are making most use of the scheme as only they stand to benefit from the capital gains tax incentive. Only those making capital gains of £6,300 in a financial year are liable for capital gains tax.

The poll also shows that PEPs have not been the failure some sceptics supposed, although there is evidence that they have not been a huge success either.

Lloyds Bank, which has been the most aggressive clearing bank in the PEP market, has signed up 17,000 investors and said it had more in the pipeline. Barclays Bank said it was "encouraged by the response" but refuses to disclose any figures.

Save & Prosper, the unit trust group, said it has firm applications from 10,000 investors and inquiries are coming in at 2,500 a day.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
2nd qtr.	108.1	104.5	109	114.9	141.4	3,174	161.7
3rd qtr.	108.3	103.9	104	116.1	145.2	3,124	164.4
4th qtr.	108.4	103.5	106	116.7	177.7	3,122	168.2
1986							
1st qtr.	109.4	102.8	106	118.2	145.4	3,171	168.5
2nd qtr.	108.9	103.5	106	120.0	152.7	3,208	175.6
3rd qtr.	110.5	104.6	99	122.1	157.4	3,212	200.2
April	110.8	104.1	101	119.3	152.1	3,209	170.2
May	108.5	103.1	109	118.5	149.8	3,205	172.1
June	107.6	103.4	109	121.7	155.4	3,230	184.4
July	109.9	104.5	98	120.9	158.2	3,223	193.2
August	110.6	104.1	94	122.0	155.2	3,219	201.1
September	110.9	105.3	104	123.2	158.7	3,193	206.4
October	110.0	105.6		123.2	164.7	3,168	212.8
November				126.4	182.1	3,146	215.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Houng. starts*
1985							
2nd qtr.	103.3	105.2	113.8	105.7	117.7	102.0	18.2
3rd qtr.	104.3	103.5	113.1	103.6	116.2	103.2	17.3
4th qtr.	103.7	102.7	113.5	103.2	114.0	102.4	15.6
1986							
1st qtr.	103.1	102.5	115.5	102.1	111.3	103.1	14.2
2nd qtr.	104.2	100.5	114.9	102.0	110.9	102.3	19.8
3rd qtr.	105.1	101.8	117.0	103.5	107.7	102.4	18.9
May	103.8	100.4	114.2	102.0	111.0	100.0	19.2
June	104.2	100.0	112.7	101.0	112.0	102.0	21.5
July	104.8	101.7	116.1	103.0	108.0	100.0	20.8
August	104.8	101.5	117.6	103.0	105.0	104.0	16.6
September	105.7	102.3	117.3	105.0	109.0	103.0	19.3
October	105.8	103.3	115.0	105.0	111.0	102.0	20.0
November							15.0

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	108.5	124.8	-124	+1,587	+2,411	97.8	14.32
3rd qtr.	116.3	124.1	-440	+1,445	+1,900	100.2	14.13
4th qtr.	118.9	127.8	-292	+694	+1,893	101.6	15.54
1986							
1st qtr.	118.9	125.7	-1,437	+549	+1,929	101.0	18.75
2nd qtr.	121.5	128.6	-1,579	+275	+750	102.5	19.20
3rd qtr.	123.3	139.1	-3,034	-781	+683	103.3	22.43
May	121.1	131.6	-481	63	+215	102.1	19.17
June	121.6	130.5	-430	12	+267	103.7	19.28
July	128.3	134.9	-636	+115	+240	103.3	19.03
August	117.8	142.9	-1,514	-763	+180	104.0	18.93
September	128.5	139.5	-885	-134	+268	102.5	22.43
October	125.3	140.6	-835	35	+184	102.2	21.90
November	131.5	146.8	-1,832	-232	+334	101.3	22.01
December							21.92

FINANCIAL—Money supply M0, M1 and sterling M3, (three months' growth at annual rate) bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
3rd qtr.	2.6	20.5	15.5	+4,625	1,771	2,274	11.50
4th qtr.	2.9	17.0	12.9	+5,278	2,290	2,431	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,293	2,230	7,335	11.50
2nd qtr.	3.1	26.0	27.4	+8,480	1,433	7,653	10.00
3rd qtr	5.9	30.7	15.6	+6,901	183	8,304	10.00
April	1.3	22.3	25.3	+1,458	756	2,742	11.50
May	4.3	27.1	25.5	+2,017	590	2,372	10.00
June	2.9	28.5	21.5	+3,014	177	2,542	10.00
July	5.4	24.4	20.5	+3,267	387	2,712	10.00
August	5.7	22.4	8.4	+2,703	422	2,672	10.00
September	6.6	24.6	17.9	+831	-871	2,907	10.00
October	6.3	18.7	14.4	+3,521	1,051	2,806	11.00
November	6.4	27.7	18.0	+3,556	188	2,835	11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100), Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty	Sterling
1985							
4th qtr.	176.9	128.6	141.4	378.1	337.4	1,771	79.5
1986							
1st qtr.	179.1	132.4	143.4	380.8	342.2	1,612	75.1
2nd qtr.	184.0	125.5	145.7	385.7	349.5	1,453	76.1
3rd qtr.	187.4	130.5	146.3	386.1	348.1	1,486	71.9
4th qtr.		127.3	147.4				
May	182.2	126.4	145.9	386.0	349.6	1,762	76.1
June	185.7	124.3	145.8	385.8	351.4	1,453	75.9
July	187.9	119.8	146.0	384.7	347.4	1,489	74.0
August	187.2	120.5	146.2	385.9	348.6	1,461	71.4
September	186.8	132.4	146.7	387.8	348.3	1,544	70.4
October	188.4	134.3	147.0	388.4	347.6	1,609	67.2
November		127.5	147.4	391.7	347.5	1,617	68.5
December		130.2	147.8				

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

Austin Rover's exports up 16% to 6-year record

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER, the state-owned Rover Group subsidiary, maintained its place as Britain's leading car exporter last year with sales worth £356m, up 16 per cent on 1985, the company's best performance since 1980.

Last year Austin Rover exported 118,000 cars, 16,000 more than in 1985.

The company has been rebuilding its presence in continental European markets by strengthening its distribution and dealer networks. It says it made particularly good progress last year in two key areas: France and Spain.

In France, Austin Rover's largest export market, the company sold a record 39,500 cars, an 18 per cent increase on the 33,500 sold in 1985. The Metro continued to find favour in France with best-ever sales totalling 19,000.

Austin Rover's car sales in Spain doubled to 8,600 though imports face tariff barriers in spite of Spain's EEC membership. The best -selling Austin Rover model in Spain was the Rover 200.

Sales in West Germany increased by 90 per cent from 6,200 to 12,000 in 1986.

In Portugal registrations were up by 28 per cent from 5,500 to 7,000 last year. Austin Rover faces an import quota system in Portugal and says demand exceeded permitted supply last year.

The company's sales in West Germany and Portugal were the highest since 1977.

Austin Rover has taken over its car import business in Japan where it is preparing for the Rover 800, the executive car developed jointly with Honda, which Honda has started to make in Japan for the UK company.

Last year Austin Rover's sales in Japan jumped by 115 per cent to 2,300, helped by changes the Japanese have made to ease technical tests for low-volume car imports.

Austin Rover says the Rover 200, based on the Honda Ballade and made under licence from the Japanese group, showed the biggest rise in demand outside the UK last year with registrations up by 80 per cent from 11,900 in 1985 to 21,700.

The Montego showed the second-greatest increase, from 11,900 to 16,700, a rise of 41 per cent.

Cummins determined to close components plant

FINANCIAL TIMES REPORTER

CUMMINS ENGINES has said it will continue with the phased closure of its components plant in Darlington, Co Durham, which employs about 500 workers.

However, Mr Jim Henderson, world president of the US-owned diesel manufacturer, has agreed to fund a further investigation of possible ways to maintain some work for the employees.

The move follows a meeting in the US last week between Mr Henderson and union leaders representing the UK workforce. The unions had wanted Cummins to suspend the closure plan for 12 months.

Mr Gerry Hunter, Amalgamated Engineering Union convener at the Darlington plant, said the agreement to set up an investigation of work prospects—a study to be undertaken by managers, union officials and outside consultants—was an important concession by the company.

Cummins is expected in the next four weeks to announce detailed plans for the plant's rundown, starting from March 27. Talks will take place on the transfer of some workers to the Cummins engine plant, adjacent to the components factory.

Japanese cosmetics group enters beauty market

BY CARLA RAPOPORT

SHISEIDO, Japan's largest cosmetics company, is about to move into Britain armed with everything from video makeup simulators to patented extract of chickens' heads.

Shiseido UK, set up this week, wants to market its make-up technology in 200 "prestige" UK stores in the next five years. The company, already established in France and West Germany, has European sales worth more than Y6bn (£25.7m).

The cosmetic company intends to import its products from Japan, as cosmetics have yet to become a source of trade friction with Europe. Further, it doubts whether some of its more exotic products could be sourced in Europe.

Shiseido has a 40 per cent market share at home. It has gained fame for its video make-up simulators, which allow a customer to see prospective purchases on an image of her face. The company has named Mr John Karp, formerly vice president of international marketing for Revlon International, as its managing director in the UK. The company plans a staff of about 15 and sales of about £5m within the next few years.

Offer for Manx Airlines

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A GROUP of Isle of Man businessmen wants to take over, or acquire a stake in, Manx Airlines, which is owned by British Midland Group which has 75 per cent and Air UK which has 25 per cent.

A sum of more than £3m is involved in the bid. The businessmen include Mr Charles Flynn, a pharmacist with interests in property development, and Mr Michael Keefe, chairman of Gerrards Group Holding Company of London.

They have set up an organisation called the Ellan-Vannin (Gaelic for Isle of Man) Airways Consortium, which claims to have access to finance from unnamed Middle East sources.

Mr Flynn has written to Mr Michael Bishop, chairman of British Midland, who has so far declined to negotiate.

David Fishlock looks at a biotechnology venture that aims to improve crop yields and quality

Shell's $20m project backs a science in ferment

SHELL'S DECISION to spend an extra $20m (£14m) over the next five years on biotechnology research goes hand in hand with its appointment of Mr Barry Greengrass as senior manager to co-ordinate activities in the new biotechnologies.

Mr Greengrass is commercial director of Nickerson Seed Company of Lincolnshire, wholly owned by Shell International Chemicals. He now assumes extra responsibilities for developing biotechnology.

Last month, union pressure obliged Shell to disclose prematurely one pillar of a new policy for biotechnology: a joint venture with Gist-Brocades, the Dutch biotechnology specialists, to create a new company devoted to fine chemicals and intermediates made partly or wholly by fermentation.

A letter of intent has been signed by the prospective partners. The venture is initially expected to employ more than 800 people.

Shell is contributing Ward Blenkinsop, its Widnes subsidiary making fine chemicals, and Gist-Brocades much of its industrial enzymes division.

This week it discloses another pillar of its policy, founded on Nickerson, in which it first invested in 1971, and which it has owned since 1978.

Nickerson, with new headquarters in Cambridge, will become the focus of Shell's agribusiness interests in biotechnology.

It is an established commercial operation with revenues worldwide from sales and royalties of about $200m, which Shell claims puts it among the world's 10 biggest seed companies. Nickerson and the prospective joint venture with Gist-Brocades will report to Mr Joop Van Dam as head of Shell's agrochemical and speciality chemical division. It represents about a fifth of Shell International Chemical's sales.

Nickerson is a research-based company, which Mr Van Dam estimates is spending about 10 per cent of its income on its breeding programmes and more advanced research.

A year-long study, Mr Greengrass reports, has shown up "a hell of a lot more going on in plant genetics in Shell than people realised." The keynote is crop enhancement: for example, enhancement of yield, of past resistance, and of special qualities such as the malting quality of barley.

Mr Barry Greengrass (left), to co-ordinate activities in new biotechnologies and report to Mr Joop Van Dam (right), head of agrochemicals and speciality chemicals.

Nickerson, a growth business, according to Mr Van Dam, its chairman, specialises in cereals, including barley and wheat in Britain, maize in France, and wheat, maize, soya, alfalfa and sunflower in the US.

As Mr Van Dam sees the next two decades, the new biotechnologies might add another $200m a year of new business. But he cautions that for the next five years he expects negative cash flow from the new opportunities.

He drew up the plan, sold it to Shell management, and picked Mr Greengrass as business manager. He believes most of the new opportunities will relate to Nickerson's present activities.

Seeds, Mr Van Dam says, are not a commodity business like traditional agro-chemicals such as fertilisers. Each crop represents a distinct business sector, with important geographical differences in what is required.

Wheat provides a good example of a crop that is "reluctant to move" so that seed must be tailored by breeding to the environment. Currently it takes 10 to 15 years to breed a new seed, and its commercial life-span will be only between five and 10 years.

Much shorter breeding cycles are one of the best prospects of new plant biotechnologies, through what Mr Van Dam calls "miniaturised breeding," by cultivating smaller and smaller fragments of tissue, and eventually individual plant cells.

Shell's future in biotechnology is seen by Mr Van Dam as the "marketeer," with a span of established assets and opportunities he claims may be broader than any other company can offer. Through Shell Research's laboratories at Sittingbourne, Kent, the company has already spent more than $100m on research and development into such projects as single cell protein made from methane, and biopolymers for enhanced oil recovery.

Through Shell's agrochemical activities, the company already has an international outlet for much of the new technology. Through its fine chemical interests — a $45m business — it has an established outlet for what it calls "bioline" chemicals.

The company is investing more than $20m a year in research into plant genetics and that will increase with the extra $20m committed for the next five years.

Now Shell is seeking ideas and opportunities outside the company which, through licences or joint ventures, might accelerate its development of the "ag-biotec" sector.

PUBLIC EXPENDITURE WHITE PAPER

Continued deceleration in growth of outlays foreseen

THE GOVERNMENT yesterday published its Public Expenditure White Paper setting out expenditure plans that envisages a fall in public spending as a proportion of the nation's income over the next three years. The main points are outlined here.

Public spending in 1987-88 and 19988-89 is planned to be £148.6bn and £154.2bn respectively. A new planning total of £161.5bn has now been set for 1989-90.

By 1989-90, public spending as a proportion of national income is expected to be back to the levels of the early seventies. In real terms, public spending is expected to increase by an average of 1 per cent a year, significantly less than the growth of the nation's income.

Compared with the last white paper, extra funds have again been allocated to priority services; these include education, health, and law and order. Substantial further provision, some £1bn in 1987-88, has also been made for capital spending, including increases for housing, schools and roads. Estimated costs of some demand led programmes, such as social security, have also risen.

In other areas, most notably defence, the level of provision takes into account the substantial increases made in previous years. In these areas, and in all programmes, the continuing search for efficiency will lead to further improvements in the level of service and output.

The privatisation programme is moving forward strongly. The Government is giving high priority to improving value for money in all programmes. The white paper further expands the information about what is being achieved and planned by departments.

The Autumn Statement, published in November 1986, gave the broad results of the annual public spending review. This white paper fills in the detail of the plans for the next three years, and provides the basis for the Supply Estimates, cash limits and other spending controls for 1987-88. Revised projections of government receipts, spending and borrowing over the medium term will be given in the next Financial Statement and Budget Report (FSBR), to be published on Budget Day.

The plans set out in this white paper should ensure that public spending continues to fall as a percentage of GDP, as it has done over the last four years.

The Government's plans for public spending are an integral part of its Medium Term Financial Strategy (MTFS). When he announced the latest public expenditure plans in the House of Commons on November 6 1986, the Chancellor of the Exchequer reaffirmed the Government's commitment to the fiscal stance set out in the MTFS published in the FSBR at the time of the 1986 Budget. He said that there would be no relaxation of that stance and that the public sector borrowing requirement (PSBR) in 1987-88 would be held to the MTFS figure of 1¾ per cent of national income (gross domestic product, or GDP).

Within the cash resources available, the Government continues to attach importance to getting better value for money from public spending every year. The annual review of public spending looks not just at the money to be spent, but also at the outputs and the efficiency with which they are achieved.

There remain inevitable uncertainties about the precise outturn for the current year, which was estimated in the Autumn Statement at £140.4bn. Identified changes in the estimated outturn of individual programmes since then produce a net reduction, but other contingencies, which include the outcome of the Rover Group's discussion about the future of its truck and bus business, are thought likely to lead to net increases. The best present assessment is that these developments should broadly cancel out. The outturn has therefore been left at £140.4bn with a provision for longfall to cover these contingencies.

PUBLIC SPENDING TOTALS

This is about £1.3bn, or 1 per cent above the plans set out in the last white paper (Cmnd 9702). The additions made to programmes during the year are estimated to be £5.8bn compared with a reserve of £4.5bn. The main increases are in local authority relevant public spending (£2.7bn) and in demand-led programmes, notably social security, which is projected to be £1.6bn higher.

The public expenditure planning totals for 1987-88 and 1988-89 are £148.6bn and £154.2bn respectively. This compares with £143.9bn and £148.7bn in the last white paper. A planning total has now been set for 1989-90, at £161.5bn. These totals include substantial reserves not allocated to departmental programmes. These reserves are larger, both absolutely and as a percentage of the planning total, than in any white paper except the last.

PUBLIC SPENDING AND NATIONAL INCOME

General government expenditure has been falling steadily as a percentage of GDP, with a decline of 2½ percentage points between 1982-83 and 1986-87 when privatisation proceeds are excluded. With money GDP growing as in the MTFS, the new plans point to a further decline of 2 percentage points, bringing the ratio below that inherited by the Government in 1979 and back to the levels of the early '70s.

PUBLIC SPENDING TRENDS

The new plans should ensure a continued deceleration in the growth of public spending. Excluding privatisation proceeds in order to show the underlying trend, the average annual growth in general government expenditure is expected to be just over 1 per cent between 1986-87 and 1989-90 (1¼ per cent for the planing total). This compares with annual growth averaging almost 3 per cent in the decade up to 1978-79, around 2½ per cent in the period 1978-79 to 1982-83, and around 1¾ per cent in the period 1982-83 to 1986-87.

For the purposes of the detailed public spending review, attention is focused on the public expenditure planning total, which forms the basis for the control totals used each year.

PLANNING DEPARTMENT

The Government's review of the development of its spending priorities is carried out in the context of the annual Public Expenditure Survey.

Substantial extra provision has been made available for education, health and law and order; and the estimated costs of pensions and other social security benefits have increased significantly. Extra provision of some £1bn for capital spending has been made, including increases for schools, housing and roads.

But simply looking at increases in provision does not give a full picture of priorities or developments in spending. A number of other factors need to be taken into account, for example, expected outputs (what, or how much, the money is expected to buy) and how spending is affected by changing levels of demand.

The following paragraphs set out the key features of the Government's plans in each of the main departmental budgets. They highlight aims and objectives as well as the planned allocation of resources.

DEFENCE

The Government's aims for defence are to ensure the security of the nation and maintain its freedom. Some £18.8bn has been provided for 1987-88, rising to £19.5bn in 1989-90.

A wide range of measures is in hand to improve efficiency and value for money, particularly through increased competition in equipment procurement. In 1985-86 some 64 per cent of contracts by value were placed by competition or otherwise by reference to market forces, compared with 38 per cent in 1983-84 and 46 per cent in 1984-85.

Civilian manpower, taking account of the transfer of personnel to Royal Ordnance has been reduced by about 80,000 since 1979. This reflects improvements in efficiency, a major rationalisation programme and the transfer of tasks to the private sector. Ten years ago there were 79 UK based civilians for every 100 personnel in the regular forces; five years ago there were 69 and the figure now stands at about 52. Further reductions are planned.

Although moving from a period of real growth in the defence budget inevitably brings with it some difficult decisions, the UK's defence capabilities will continue to benefit from major re-equipment programmes for all three services. Major orders since 1979 have included 55 major ships, seven regiments of Challenger tanks and more than 500 aircraft for the Royal Air Force.

FOREIGN AND COMMONWEALTH OFFICE (inc. ODA)

The gross aid programme for 1987-88 is £1,308m. The revised plans will maintain the overseas aid programme at the same level in real terms as in 1986-87 during the rest of the planning period. About 60 per cent of the programme is spent on bilateral aid—around 80 per cent of which goes to the poorest countries.

The main focus of the aid programme is on long-term development, but emergency relief is also provided where most needed. The remaining 40 per cent is provided as multilateral aid through channels such as the World Bank Group, the European Community and various United Nations agencies.

The main aims of the diplomatic wing of the Foreign and Commonwealth Office (FCO) are to enhance the security and prosperity of the UK and dependent territories, and to promote and protect British interests overseas. Provision in 1987-88 is £700m. This includes additional provision to combat the increasing threat to the security of the staff and property overseas of the Diplomatic Service and the British Council, and to offset some of the additional costs of the new visa requirements.

The overall demand for the FCO's commercial and consular services abroad has risen steadily in recent years and the trend is expected to continue. For example, the number of British business visitors using the FCO's services abroad rose by 18 per cent between 1980 and 1985, and the number of British nationals traveling abroad has increased by 300 per cent in the past 15 years, with a corresponding increase in public demand for advice and protection.

AGRICULTURE

The increased spending over the period of the plans is mainly accounted for by expected additional expenditure on market support under the European Community Common Agricultural Policy (CAP). The Government will continue to seek changes in the CAP to bring this spending under better control.

Total domestic spending is planned to stay broadly constant in cash terms, but since the last white paper provision has been made for additional spending rising to some £36m to fund flood defence works.

TRADE AND INDUSTRY (inc. ECGD)

Overall, provision falls over the period of the plans to £1bn in 1989-90. This decline mainly reflects the increased ability of the nationalised industries sponsored by the Department of Trade and Industry to meet their financing requirements from within their own resources.

ENERGY

The trend in the department's total spending is dominated by the finances of the nationalised energy industries. Increased external financing limits compared with previous plans, particularly in 1987-88, take account of reduced market prices for energy following the fall in oil prices, and higher investment in British Coal and the Electricity Supply Industry. The cost of payments for miners' redundancies in 1987-88 and 1988-89 is expected to fall compared with the last white paper partly as a result of bringing forward payments into 1986-87.

EMPLOYMENT

Major new enterprise and employment measures were announced in the 1986 Budget and these are now reflected in departmental plans. Extra spending since then on central government programmes (notably the Technical and Vocational Education Initiative, an increase in the number of Job Clubs, and higher payments from the Redundancy Fund) has been offset by savings elsewhere in the programme.

Promoting enterprise and job creation is a priority area: for instance, numbers helped through the Enterprise Allowance Scheme are planned to rise from around 80,000 in 1985-86 to 100,000 by 1987-88. Increases in efficiency have been achieved in many areas and more are planned. For example, placings per staff unit in job centres are forecast to rise from 286 in 1985-86 to 320 in 1989-90. The employment resettlement rate achieved by the employment rehabilitation service has risen from 32 per cent in 1983-84 to 44 per cent in 1986-87, and is forecast to rise further: meanwhile costs per client week will have been reduced from £183 in 1984-85 to £170 in 1986-87 and £166 by 1988-89.

The department seeks to increase efficiency and reduce unit costs of transport, for example by maintaining and improving a national road system: to protect and improve safety; to conserve the environment; and to advance United Kingdom transport interests abroad.

TRANSPORT

The department's spending is increasingly focused on the infrastructure, rather than current subsidies. Compared with 1986-87, provision for capital spending on national roads will be increased by about 13 per cent by 1989-90. Among other forward targets for the planning period, the department plans to complete motorway and trunk road schemes totalling around 450 miles, to renew 80 miles of motorway each year, and it expects local authorities to complete over 100 major local roads schemes in 1987-88. Provision for support to British Rail falls over the period of the plans following the setting of new objectives.

DoE—HOUSING

Most expenditure on housing comes from the private sector. Nevertheless gross capital public expenditure is estimated at £3.4bn in 1986-87, and is planned to rise to £3.7bn in 1987-88. Nearly £3bn of this will be spent by local authorities, and the rest by the Housing Corporation and new towns.

The increased provision in 1987-88 will allow greater local authority investment, mainly on renovation of their own stock, and for £75m of targeted capital allocations to be made through Estate Action (formerly the Urban Housing Renewal Unit). It will also allow £30m to be spent by the Housing Corporation on pilot housing association schemes primarily financed by the private sector. These schemes, which will provide some £100m worth of additional investment, will be aimed at helping homeless families and young job movers.

DoE—OTHER ENVIRONMENT SERVICES

Spending under this programme covers a wide range of environmental, economic and recreational services. Most is undertaken by local authorities according to local priorities. More directly the Government also spends through sponsored bodies and its own programmes.

The Government attaches high priority to tackling inner city problems. For example, in 1986-87 the Urban Programme is expected to create or preserve 23,450 jobs, and derelict land grant should lead to the reclamation of 1,300 hectares of land. Provision for urban spending is being increased by about £40m in 1987-88 to £439m and is planned to be maintained at this level in 1988-89 and 1989-90.

Four new urban development corporations (in Greater Manchester, Teesside, the Black Country and Tyne and Wear) will be set up to build on the success of those in the London Docklands and Merseyside in regenerating urban areas, which have particularly concentrated on problems of dereliction and unemployment.

Resources for wildlife, countryside and heritage programmes are also being increased to meet specific objectives. These include protection of natural habitats through the Wildlife and Countryside Acts, improved access to the countryside and provision of repair grants for historic buildings.

HOME OFFICE (inc. LORD CHANCELLOR'S DEPARTMENT)

The main aims of the criminal justice system are to prevent and detect crime, administer the courts effectively, deal adequately and sensibly with the guilty, and give proper effect to the sentences imposed on them.

The number of notifiable offences cleared up by the police rose by 22 per cent between 1980 and 1985; total police strength (including civilians) rose by just under 3 per cent between 1980-81 and 1984-85. For 1987-88, there is provision for total police strength to rise to 169,464, compared with an average of 166,752 in 1986-87.

The Government's police is that resources provided for court services should broadly keep pace with changes in the courts' business with due allowance being made for improvements in efficiency. In 1985, 2.1m defendants were proceeded against in magistrates' courts and some 99,000 appeared at the Crown Court.

On current trends, the prison population is projected to average 46,700 in 1986-87, and to rise to 50,700 in 1989-90. Manpower costs account for about 60 per cent of prison service expenditure. The Government has published proposals for far-reaching reforms of shift and complementing systems, and has put them to the unions and staff associations involved, together with an offer on revised pay arrangements. The new working methods proposed should enable prison manpower to be used more efficiently.

EDUCATION AND SCIENCE

The Government's main aims for education are to raise standards at all levels of ability and to secure the best possible return from the resources which are invested in the education service. The Government's aim for science is to maintain and enhance the strength and quality of the science base. Total spending of £16.6bn is now planned in 1987-88, most of it by local authorities.

Three-quarters of those who left school in 1984-85 had achieved five or more graded GCE or CSE results, a substantial increase over the figure 10 years previously. Extra resources have been provided to support policies for better schools, including maintenance of school buildings, books and equipment, and the very substantial increases in teachers' pay provisionally included in these plans. The new City Technology Colleges will widen the choice of effective schools in urban areas.

In higher education, the number of students obtaining first degrees is forecast to be around 125,000 in 1990, 20 per cent up on the preceding decade. Extra funding for the universities forms part of an agreed programme including more selective funding of research, rationalisation in some subject areas and better management. Additional provision for polytechnics and colleges will permit increased activity of relevance to technology and industry.

DHSS—SOCIAL SERVICES

In England, spending will increase by almost £1bn in 1987-1988, an increase of 2.5 per cent in real terms, continuing the trend in recent years. Total spending will rise from £18bn in 1986-87 to over £20.8bn by 1989-90.

Specific targets for service improvements have been set, for example for hip replacements, cataract operations, coronary artery bypass operations and bone marrow transplants. Other current problems such as drug misuse and Aids are being tackled. A full series of performance indicators has been developed to enable managers to make informed judgments about the use of the NHS resources they control.

The total plans for hospital spending include £80m over two years earmarked for two key areas; £50m for specific measures to tackle waiting lists and waiting times, and £30m to help overcome transitional resource allocation problems in regions which are growing at less than the national average rate.

Health authorities will keep the benefit of cash released through thier cost improvement programmes. These are expected to yield a further £150m in 1986-87 on top of the £390m of cumulative savings achieved in the five years prior to that.

Primary health care, given by family doctors, dentists, pharmacists and opticians, will also expand. The plans allow for forecast demand to be met in full, meeting the various pressures on these services from demographic and social changes, service pressures, and medical advances.

The provision for personal social services also take full account of demographic and other pressures. Planned expenditure in 1987-88 also allows for faster progress in shifting the emphasis to community care.

SOCIAL SECURITY

The aim of the social security system is, within the Government's wider social and economic policies, primarily to provide for retirement pensioners and to give an efficient and responsive system of financial help to others who need it. Provision has been increased in the light of expenditure trends in the current year. Spending in 1987-88 is now planned to be £46bn, rising to £49.3bn in 1989-90.

About half (over £23bn) of the budget will be paid to elderly people, reflecting both a real improvement in the level of pensions and a substantial increase in the number of pensioners since the Government came to office. Payments to families and to unemployed people each account for roughly one sixth of benefit expenditure, with most of the remainder going to sick and disabled people. Benefit expenditure to the long term sick and disabled has increased by 75 per cent in real terms since the Government came to office.

THE RESERVE

The reserve in each year is intended to provide a margin to meet contingencies including estimating changes.

The reserve for 1987-88 has been set at £3½bn. The reserves for 1988-89 and 1989-90 are £5½bn and £7½bn respectively. These reserves are larger, both absolutely and as a percentage of the planning total, than in any white paper except last year's, where the unusual treatment of local authorities' spending required exceptionally high reserves. Substantial additions to departmental provision have been made in the latest spending review for spending by local authorities and on social security, the two main areas where spending has exceeded plans in 1986-87.

PRIVATISATION

The privatisation programme is moving forward strongly. It is increasing efficiency, whether by competition or by other means, and widening share ownership.

Privatisation allows more incentives for management and employees, many of whom have become shareholders in their companies. The improved performance of privatised businesses benefits consumers, employees and the economy as a whole. Following the sale of British Gas the proportion of GDP accounted for by state owned businesses has fallen by nearly one third since 1979, from 11 per cent to 7½ per cent. In total, the number of individual shareholders in the UK has doubled since 1979.

The estimates of receipts from the privatisation programme in 1987-8 and 1988-89 have been increased by £250m in each year, compared with the last white paper, to £5bn. Receipts in 1989-90 are also expected to be £5bn.

SPENDING BY FUNCTION

The Government's commitment to strengthen the nation's defences has been reflected in an increase in share from under 11½ per cent in 1978-79 to 12½ per cent in 1986-87. A slight fall in that percentage is now planned as the benefits from past increases continue to be felt and the programme of efficiency improvements continues to grow.

The fall in the education and science share from 14½ per cent in 1978-79 to 13 per cent in 1986-87 reflects falling school rolls, but spending per pupil is projected to have risen by 24 per cent in real terms up to 1985-86. An increase in share to about 13½ per cent is now planned over the next three years.

Spending has been substantially increased in two other priority areas. The share allocated to law and order, over 4½ per cent in 1986-87, has been raised by a third since 1978-79. The share going to employment and training, now some 2¼ per cent, has risen by three-quarters over the same period. Both these increases will be consolidated over the period of the plans.

Spending on social security (including pensions) represents the largest of the functional programmes. It has risen from 25¼ per cent of the total in 1978-79 to 31 per cent in 1986-1987. A further increase to 31½ per cent is expected by 1989-90.

In other areas the extent of public sector involvement in providing services has been reduced. Spending on public sector housing, and subsidies to trade, industry and energy, have fallen substantially as a share of total spending. This is a reflection of Government policies for a greater share of housing needs to be provided by the private sector, and for support to both private and public sector industry to be reduced as profitability improves.

CENTRAL GOVERNMENT

About 70 per cent of central government spending within the planning total is voted by parliament through the annual Supply Estimates. The rest consists mainly of those social security payments which are paid out of the National Insurance Fund. In total about 40 per cent of central government spending goes on social security. The two other largest components are defence and health.

LOCAL GOVERNMENT

Spending by local authorities accounts for about a quarter of public spending. Education spending is over a third of the total, with most of the rest spent on law and order, housing and other environmental services, personal social services and transport.

Local authorities' relevant public spending is forecast to exceed the Government's plans by an estimated £2.7bn in 1986-87. This has led to calls on the reserve and added to burdens on ratepayers.

No decision was taken last year on provision for 1987-88 and 1988-89, and the figures in Command 9702 were set at the same cash levels as for 1986-87. This was taken into account in setting the level of the reserves for those two years. Including provision for teachers' pay the plans now made for the three forward years allow for year-on-year increases of 4½ per cent, 4 per cent and 2¾ per cent respectively over the estimated outturn for 1986-87.

Aggregate Exchequer Grant to local authorities for 1987-88 is planned to be £16.4bn, £1.4bn more than for 1986-87. Forty English authorities will be subject either to rate-capping or to automatic precept control. The Government is legislating so that existing practice on expenditure for RSG purposes can continue. In England and Wales the Government also proposes to abolish grant recycling (this is the process whereby grant not claimed by high spending authorities is redistributed to all authorities). In Scotland guidelines and grant penalties for exceeding them will continue.

The Audit Commission has estimated that efficiency gains of approaching £2bn are possible in local authorities in England and Wales. Value for money studies are also under way in Scotland. The Government continues to look to authorities to improve their efficiency and economy and is therefore introducing legislation to expose a wide range of their services to competition.

Local authority gross capital spending in Great Britain in 1986-87 is forecast to be £6.6bn. After allowing for capital receipts, particularly from sales of council housing, net spending is forecast to be £4.1bn, £0.5bn higher than provided for in the last white paper. These figures remain subject to some uncertainty.

Gross provision in 1987-88 has been increased by £0.7bn to £6.6bn. Provision of £6.3bn and £6.5bn has been made for 1988-89 and 1989-90 respectively. The amount issued as allocations (permissions to spend) will take account of the expected use by authorities of the spending power available from other sources, notably capital receipts.

NATIONALISED INDUSTRIES

The planning total includes nationalised industries' external finance — their borrowing and leasing plus grants from the Government. External finance in 1987-88 and 1988-89 is planned to be £690m and £350m more respectively than provided for in Cmnd 9702, after taking account of the transfer of £55m to local authority capital spending. These increases mainly reflect reduced market prices for energy supplies following the fall in oil prices (this particularly affects British Coal), and higher planned investment.

A progressive reduction in the external financing requirements of the nationalised industries from the 1987-88 level is expected in 1988-89 and 1989-90. The Government will continue to set industries demanding targets which improve on achievements to date. The Steel Corporation's productivity has risen by nearly 180 per cent since 1979-80. The Post Office's unit costs have fallen by nearly 10 per cent in real terms since 1981-82. British Coal's productivity is now 50 per cent higher than before the miners' strike.

OTHER PUBLIC CORPORATIONS

The contribution to the planning total by other public corporations, such as the Scottish and Welsh Development Agencies, is expected to be around £1bn in each year of the plans.

ECONOMIC CATEGORIES

In 1987-88 some £54bn (over a third of the total of public spending) will take the form of cash payments to the personal sector—mainly pensions and other social security benefits. Departmental running costs amount to £13bn. Other public sector pay (for example in local authorities and the health service) and purchases of assets, goods and services from the private sector both account for around a quarter of the planning total. The rest of the planning total is represented by payments to companies and overseas.

CAPITAL SPENDING

In the latest spending review, some £1bn has been added to gross capital spending in 1987-1988 and some £900m in 1988-89. Totals of £700m and £500m respectively has been added for local authorities. The largest single increase in gross provision is for housing, which has been increased by £450m in 1987-88 and £350m in 1988-89.

Total general government capital spending is expected to remain broadly stable over the period of the plans, at around £15bn. Total public sector capital spending — including spending by the nationalised industries and capital grants to the private sector—is expected to be some £22bn in each year of the plans.

PAY

As last year, no general assumption has been made about the rate of increase in pay and allowances in 1987-88. The Government wishes, however, to see the development of greater flexibility, for example in the linking of pay to performance and in relating pay in different areas more closely to local labour market conditions. But if pay increases overall are unrealistically high, there will be less money available for other purposes, and services, investment and employment will be the less.

DEPARTMENTAL RUNNING COSTS

The main element of departments' running costs is the pay bill (about two-thirds of the total) but they also cover accommodation, personnel overheads and office services. The use of a running costs control total for all three forward years, which was introduced last year, will help to improve financial management in departments and also reflects the Government's determination to exert downward pressure on administrative costs.

Running costs provision for 1987-88 is some £13bn. Between the 1985-86 outturn and the currently announced limits for 1986-87, gross running costs will have increased by 6.7 per cent and are expected to increase by a further 4.5 per cent in 1987-88. Limits on departmental running costs will be set when the 1987-88 Supply Estimates are presented to parliament.

PUBLIC SECTOR MANPOWER

Of the total manpower of 5,686,000, 41 per cent is accounted for by local authorities; 22 per cent by public corporations; 17 per cent by the National Health Service; 10 per cent by the Civil Service; and 6 per cent by the Armed Forces.

CIVIL SERVICE

The Government has not announced manpower targets beyond April 1988. The revised April 1987 target of 605,300 represents an increase of 4,900 on the previous target, while the April 1988 target of 590,400 remains unchanged. This represents a fall of 141,900 since April 1979. Departments' manpower plans for the latest years show a fall to 582,800 by April 1989 with a slight rise to 583,700 by Apuril 1990. The Government will review the need for continuing separate manpower targets beyond April 1988 in the light of experience of the running costs control arrangements.

ARMED FORCES

For the Armed Forces, manpower (including locally engaged personnel) is expected to fall from 332,600 in April 1986 to 325,500 in April 1988. This reflects the Government's aim of making more efficient use of the manpower needed to support the defence programme.

NATIONAL HEALTH SERVICE

In 1985-86 the number of NHS employees in Great Britain was 989,000, 7 per cent above the 1978-79 level. The number of front-line staff in the NHS is higher than ever before. At the end of March 1986 there were 12,000 more doctors and dentists, 20,000 more professional and technical staff, and 65,000 more nurses and midwives than in September 1978.

PUBLIC CORPORATIONS

By 1985-86, manpower numbers in public corporations had fallen to 1,225,000, a drop of 40 per cent since 1978-79. This mainly reflects the effects of privatisation (for example British Telecom and the National Freight Corporation) and increased productivity.

LOCAL AUTHORITIES

Manpower accounts for about three quarters of local authorities' relevant current expenditure. In 1985-86 local authorities' manpower at 2,326,000 was about the same level as in 1978-1979. Between 1979 and 1982 staff numbers fell by about 4 per cent, since when they have remained broadly constant apart from an increase in the number of people sponsored for the community programme.

Increased resources have been provided for law and order, in line with the Government's priorities in this area, while numbers in education have fallen, reflecting reductions in school rolls. Reports by the Audit Commission have demonstrated the importance of better use of manpower in securing value for money improvements.

The Government's Expenditure Plans 1987-88 to 1989-90. HMSO Vol I £5.20; Vol II £22.

PUBLIC SPENDING IN REAL TERMS BY DEPARTMENT†
(£bn—base year 1985-86)

	1984-85 outturn	1985-86 outturn	1986-87 estimated outturn	1987-88 plans	1988-89 plans	1989-90 plans
Defence	18.2	18.0	18.1	17.6	17.2	17.1
Foreign and Commonwealth Office*	1.9	1.8	1.9	1.9	1.9	1.9
European Communities	1.0	0.8	1.1	0.8	0.4	0.9
Ministry of Agriculture, Fisheries and Food‡	2.1	2.4	1.9	2.1	2.2	2.2
Trade and Industry¶	2.2	1.8	1.6	1.2	1.0	0.9
Energy	2.7	0.7	0.2	—0.1	—	—0.2
Employment	3.2	3.4	3.8	3.8	3.8	3.8
Transport	4.9	4.6	4.8	4.8	4.6	4.5
DOE—Housing	3.4	2.8	2.7	3.0	2.7	2.7
DOE—Other environmental services	4.2	3.9	4.0	3.6	3.5	3.5
Home Office‖	5.4	5.3	5.7	5.8	5.8	5.8
Education and Science	14.8	14.5	15.5	15.6	15.7	15.7
Arts and Libraries	0.7	0.7	0.8	0.8	0.8	0.8
DHSS—Health and personal social services	16.7	16.6	17.5	17.9	18.0	18.2
DHSS—Social security	40.4	41.5	43.2	43.1	43.0	43.4
Scotland	7.5	7.2	7.6	7.5	7.3	7.2
Wales	2.8	2.8	2.9	3.0	2.9	2.9
Northern Ireland	4.3	4.3	4.5	4.6	4.6	4.6
Chancellor's departments	1.8	1.8	2.0	2.1	2.1	2.1
Other departments§	1.2	1.2	1.5	1.6	1.7	1.7
Reserve	—	—	—	3.3	5.0	6.6
Privatisation proceeds	—2.2	—2.7	—4.6	—4.7	—4.5	—4.4
Adjustment**	—	—	—0.1	—	—	—
Planning total††	137.6	133.6	136.5	139.3	139.7	142.1

† Cash figures adjusted for inflation.
† Figures rounded to £0.1bn except for the forward year figures for general government gross debt interest, which is rounded to the nearest £1bn and other national accounts adjustments which are rounded to the nearest £½bn. (In the case of the total for general government expenditure rounding to £0.1bn does not imply accuracy to this degree.) This table includes all spending on departmental policies, whether through central government, local authority or public corporations. More information is given in Part 2, Table 2.1.
* Including Overseas Development Administration.
‡ Including Intervention Board for Agricultural Produce and Forestry Commission.
¶ Including Export Credits Guarantee Department.
‖ Including Lord Chancellor's Department.
§ Including Property Services Agency and Civil Superannuation.
** An adjustment for the difference between the assessment of the likely outturn for 1986-87 (see paragraph 6) and the sum of the other items shown, plus an allowance for the external finance of those nationalised industries being privatised during that year.
†† Totals have been rounded independently.

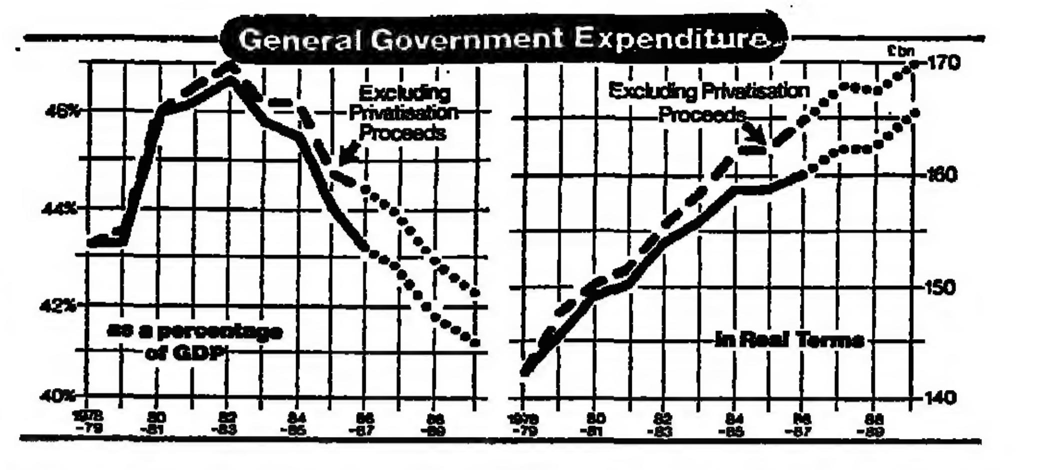
PUBLIC EXPENDITURE;* PLANS AND OUTTURNS

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
March 1981 white paper	104.4	110.0	113.6						
March 1982 white paper		114.7	120.7	127.7					
Feb 1983 white paper			119.6	126.5	132.3				
Feb 1984 white paper				126.5	132.1	136.8			
Jan 1985 white paper					132.1	136.8	141.6		
Jan 1986 white paper						139.1	143.9	148.7	
This white paper							148.6	154.2	161.5

* Public expenditure planning total as defined in this White Paper.

PUBLIC EXPENDITURE WHITE PAPER

Across the credibility gap



"WE HAVE very good control over public expenditure that we can control," Mr John MacGregor, the Chief Secretary to the Treasury told journalists at yesterday's launch of the Public Spending White Paper.

That, perhaps inadvertent, remark neatly summarises the Government's difficulties in defending the credibility of its latest spending plans for the next three years.

As expected, Mr MacGregor unveiled spending projections which will add £10.2bn to its planning totals over the next two years compared with its declared aim this time last year.

The pledge of the previous White Paper to keep spending "broadly level in real terms" has been replaced by the rather more clumsy phrase that: "the new plans should ensure a continued decleration in the growth of public spending."

Mr MacGregor was left to insist that the relaxation was the mark of the success of the Government's economic policy and that its 1979 manifesto commitment to reduce public spending as a share of national output remained intact.

The problem is that the detail in the two-volume White Paper shows just how much of spending remains outside the Government's control — a factor that has led many economists to doubt the credibility of even the latest figures.

With the exception of one or two policy decisions such as that over teachers' pay, the large increases in spending provision announced at the time of last November's Autumn Statement are shown to be accidental rather than planned.

The Government's decision to highlight increases in resources for housing, roads and schools, reflects to a significant degree their determination to make the best of the inevitable.

Local authority spending, most of which is still outside Whitehall's direct jurisdiction despite the ever more complicated panoply of controls and penalties, accounts for the vast bulk of the projected increase in outlays.

In the current, 1986-87 financial year, it is running around 10 per cent higher than the previous year—a real terms increase of over 6 per cent—and nearly £3bn above the Treasury's previous target.

For 1987-88 Mr MacGregor has made provision for a rise of 3.8 per cent in the local authorities' total spending—an effective freeze in real terms. He is one of the few people inside or outside Whitehall, however, who expresses confidence that the target can be met.

Upward pressure on public sector pay has been encouraged by the Government's decision last year to endorse more generous settlements for nurses and teachers, and reflected in the latest deal for local authority manual workers.

At the same time the White Paper candidly admits that even the figures for local authority capital spending in the present year, let alone the next three, "remain subject to some uncertainty."

The second area over which Mr MacGregor has no real control is demand-led expenditure, above all social security payments to pensioners, the unemployed and the poor. The Treasury has consistently underestimated the increasing cost of social security payments — both in terms of the numbers eligible and the rate of take-up of benefit.

For this year, the overrun will be around £1.6bn, and for the next two years the Treasury has pencilled in an extra £3bn to its plans. Mr MacGregor insisted yesterday that the Government had put considerable effort into improving its forecasts and that the new figures were thus more credible than previous projections.

The continued downturn in unemployment will also help, but this week's decision by the Prime Minister to bow to public pressure for special heating payments shows how vulnerable the projections remain in the run-up to a general election.

The Chief Secretary can claim greater success in containing costs in areas where the Treasury has direct control. He pointed out yesterday that the 10 per cent overspend in local authority outlays had been contained in a much smaller increase for overall spending.

As in past years, however, the Government has found it much easier to keep a grip on capital rather than current expenditure. Despite the much-publicised extra allocations for housing, roads, hospital buildings and prisons, the White Paper projects a sizeable fall in capital spending over the next three years.

The Treasury's attempts to hold down departmental running costs — 70 per cent of which are accounted for by pay — have also been mixed. Mr MacGregor conceded yesterday that the outturn for the current financial year was likely to show a rise of 7.5 per cent, above the 6.7 per cent originally planned. On that basis the 4.5 per cent increase built into next year's plans look optimistic.

The question-mark over the sustainability of the overall targets has been further accentuated by the level of reserves provided for unforeseen spending demands and the pressures that ministers will face in the run-up to the general election.

For 1987-88 the Treasury has set a reserve of £3.5bn, £1bn less than the figure for the current year (which has itself proved to be insufficient). Part of next year's reserve has already, informally at least, been earmarked and Whitehall officials expect more demands in coming months.

Treasury ministers are likely to find it hard to resist requests for, say, extra money for employment measures just months before an election, and the problem is likely to get worse the longer the poll is delayed.

Philip Stephens

INDUSTRY

State companies no longer a drain

TOTAL SPENDING by the Trade and Industry Department is falling more or less in line with forecasts. The 1985-86 outturn at £1.526bn was less than the £1.623bn estimated in the *last public spending White Paper*, while the estimated outturn for the current financial year is slightly up at £1.361bn against £1.302bn planned.

The main reason for the decline in the DTI budget—planned to drop below £1bn in 1988-89—is the improving financial status of those nationalised industries responsible to the department, particularly steel. British Steel's external financing limit (its limit on borrowing) has been reduced by £95m to £51m in yesterday's White Paper, reflecting improved performance and reduced costs.

But British Shipbuilders, also under the DTI's umbrella, has had its EFL increased by £57m to £130m, for the current year, because of the recession in shipbuilding worldwide.

Between 1987-88 and 1989-90, the nationalised industries are forecast to produce a net inflow to the departemnt of £143m, mainly reflecting the expected continued improvement at BSC.

The other major diminishing component in the DTI budget is regional and general industrial support. At £368m estimated fo rthe current year, this represents a slight fall on the allocation.

This looks like being achieved, however, only on the basis of a moratorium on the payment of regional development grants, made necessary because the overlap of the old-style grants with a version introduced in 1984 which has "proved to be of a greater magnitude than anticipated." An extra £20m was voted in the winter supplementary estimates.

Between April and November 1986, £347m had been paid out in regional development grants and £68m in selective regional assistance to industry.

Payments of selective assistance under specific schemes — such as those for microelectronics and advanced manufacturing—is running at less than £40m

Research and development spending is about £250m a year, including the money spent by the DTI's own research establishments and projects funded by industry (including funds agreed so far under the EEC's Eureka).

No provision has been made yet for British Aerospace's request for £750m launch aid for the Airbus A330 and A340, which is still under consideration

Nor has any provision been made for the Rover group, which is believed to have asked for a new tranche of funds

Capital spending by the nationalised industries is estimated at £4.396bn in 1987-88, £4.536bn in 1988-89, and £4.684bn in 1989-90. AAlthough *the capital requirements*, allowing for privatisation, remain broadly constant, funding from internal sources is expected to increase with improved performance and cost reductions.

External finance needs fall by £748m over the next three years, from total external financing limits in 1987-88 of £692m, to a negative level of £56m in the last year — in public expenditure terms, this means that the industries are due to make a net contribution to the Treasury by that date.

Total EFLs for the current financial year are expected to turn out at £586m, following revisions for British Steel (reduced from £95m to £51m) and British Shipbuilders (up from £57m to £130m).

Next year, British Rail and British Coal take the largest amouns of external finance (around £1.5bn in total).

Hazel Duffy

DEFENCE

Decline set to level off

DEFENCE spending, a key issue in the gathering election campaign as well as to British industry, is set to level off by the end of the decade from its 1986-89 decline in real terms of 6 per cent.

Long aware that it would have to take some cuts after the seven fat years to 1986, which boosted its budget in real terms by 20 per cent, the Ministry of Defence is relieved that it is not being asked to make any large new cuts to fund spending sprees elsewhere in the 1987-88 election year and can now see the decline bottoming out in 1989-90.

The effect of an extra £490m in cash terms in 1989-1990 is to cut the MoD budget by only 0.5 per cent in real terms in the final year of the decade.

Mr George Younger, Defence Secretary, has warned of impending "hard decisions" in defence spending. But the White Paper indicates he will rely on current MoD internal efficiency and competitive procurement campaigns.

Recent internal savings include £30m a year by contracting out support services to the private sector, £20m from competitive procurement of three Type 2400 submarines, and a 20 per cent cut in the price of a new tank repair vehicle.

The only external saving—of the kind that would follow from a formal defence review that Mr Younger has deliberately eschewed — is in Falklands Islands defence. The cost of this is estimated to drop progressively from £435m this year to £124m by 1989-90.

There are, however, several growing pressures. Pay now accounts for 36 per cent of the budget.

The equipment portion of the budget, which peaked at 46.3 per cent of the whole in 1985-86 and is now down to 44.3 per cent, is under increasing strain, notably from paying for the £10bn Trident

The latest charge to be added to the defence budget over the next few years is £860m to buy the six Boeing Awacs airborne early warning aircraft

Four problems are causing serious cost overruns: the Alarm anti-radar missile is behind schedule and over budget; the Foxhunter radar for the Tornado fighter is proving difficult for GEC Avionics to make to RAF specifications; the Command and Control System for the Type 23 frigates has been put out to competitive tender following Ferranti's technical problems with its development; and the collaborative project with West Germany and Italy on the SP-70 gun project has now been abandoned, at a cost to Britain of £88m.

David Buchan

HEALTH

High aims for medical care

THE HEALTH SERVICE is subject to "particular pressures" listed by the Department of Health and Social Security, involving heavier demands arising from the rapid ageing of the population, improved community support and the less central, but pressing issues of controlling drug misuse and AIDS.

However, the White Paper does not detail how much a full year's implementation of last year's pay awards will eat into its planned 2.2 per cent increase in real expenditure for 1987-88.

The awards include a 7.8 per cent increase for nurses, midwives, doctors and dentists which took effect last July, and the 6 per cent rises for ancillary staff which followed a month later.

Manpower accounts for three-quarters of current expenditure in the hospital and community health services and 65 per cent in personal social services.

At the same time, the Government has set itself ambitious targets for better medical provisions (a 30 per cent increase in coronary by-pass operations by 1990, five times more hip replacements), further building programmes and special funds for measures to reduce waiting lists and improve conditions in regions with below-average services.

These factors seem certain to increase the Government's demands on the financial control abilities of the health service's new management structure and related efficiency drives and value-for-money programmes.

Some of the recent effects of these campaigns, spelt out in the document, include cost improvements worth £100m in 1984-85 and £150m last year.

The White Paper notes that competitive tendering for support services now saves about £73m a year, and 50 per cent of ancillary services by value are still to be privatised.

Other effects can be assessed by comparing the performance of the heatlh service with employment levels. For example, "overall activity" increased by about 20 per cent between 1978 and 1985 — a figure which embraces an 18 per cent rise in in-patient cases, 71 per cent more day attendances and 10 per cent more out-patient cases.

Over the same period, the total health service staff roll rose by about 6 per cent, which included a 9.5 per cent reduction in support staff and an increase of almost 1.7 per cent in numbers of front-line workers, such as nurses, midwives and doctors.

While the health and personal social services have broadly matched government expectations, social security — the single biggest programme, which will account for 30 per cent of public expenditure in 1987-88 — is expected to have overstepped the budgetary line to the tune of £1.5bn in 1986-87.

The document says about a third of this can be attributed to the fact that unemployment exceeded earlier assumptions. Rents were also higher than expected. As a result, social security spending in both 1987-88 and 1988-89 is likely to be £1.6bn higher than suggested in last year's White Paper.

"Some £250m of this in 1987-88 and £400m in 1988-89 reflects changed assumptions about uprating, unemployment and the level of rents," the document says.

"There have also been revisions to benefit estimates in all three years in the light of the latest statistical data. The higher figures reflect increases in the projected numbers receiving retirement pension, invalidity and sickness benefit, supplementary benefit and rent allowances . . ."

Social security expenditure in 1985-86 outstripped estimates by only £250m.

Christopher Parkes

LOCAL AUTHORITIES

Spending increase planned

TOTAL PUBLIC spending by local authorities in Britain in 1986-87 is projected at £38bn and it is planned to grow from that base by 3.9 per cent, 2.5 per cent and 3 per cent in the next three years.

Budgets for current spending in 1986-87 were £2.2bn, or 8 per cent, over the original plans, with the extra cash accounted for largely by an additional £140m in contributions to the housing revenue accounts and £190m for teachers' back pay, plus £130m for a teachers' pay settlement in the current financial year.

The Government considers that the spending proposals are now realistic—unlike that of previous years when there was inevitably a huge overspend—and that if local authorities make efforts to contain their costs, especially pay, the aims can be achieved.

The White Paper emphasises that Ministers do not accept the need for councils to spend as much as the plans provide.

Mr Nicholas Ridley, Environment Secretary, estimates that if all councils planned to spend at the levels which the Government assumes they need, households would pay an average increase in rates of only 1.2 per cent next year, because the Government is providing over £1bn extra in central grant.

The Government's view is that this is more than adequate to cope with inflation, but local authorities disagree. They argue that independent forecasters believe that inflation could be higher in the next financial year than the Government's estimate of around 4 per cent, and that the teachers' pay settlement totalling over £400m could push rates up significantly.

Aggregate Exchequer grant is planned to be £16.4bn in Britain, an increase of £1.4bn over the 1986-87 level.

The White Paper confirms that there will be a bill to abolish grant recycling, the system which ensures that the total amount of grant available in any year is redistributed among all authorities. It will be replaced with a system under which any grant that is forefeited by a council will be returned to the Treasury.

One of the recurring themes in the White Paper is the Government's determination to discourage overspending. To this end, 20 English authorities have been selected for rate-capping, including Brighton, which is to be rate-capped for the first time

Local authority gross capital in 1985-86 totalled £6.2bn and this is expected to increase to £6.6bn in 1986-87 and to remain at the same level in the next financial year. It will then fall back to £6.3bn in 1988-89 before rising again in £6.5bn in 1989-90.

Richard Evans

ARTS

Leading role for private sector sponsors

THE GOVERNMENT is to continue to encourage private sector sponsorship of the arts; its own expenditure on the arts in the next two years will increase at only just above the current rate of inflation.

The public expenditure White Paper shows planned spending on the arts rising by 5.3 per cent to £339m in 1987-88 and by 3.1 per cent to £350m in 1988-89.

The increase for 1987-88 includes funding for the new British Library at St Pancras.

During 1987-88 the Government hopes to encourage sponsorship of the arts by industry and commerce—currently running at about £20m a year.

The new arts marketing scheme announced by Mr Richard Luce, Arts Minister, in December, has been allocated £0.25m. Under the scheme the Government will pay 50 per cent of the cost of any scheme, up £10,000, which might increase audiences or improve finances.

The Government has also allowed £1.75m for the Business Sponsorship Incentive Scheme in which the Government matches new sponsorship and gives £1 for every £3 given by existing sponsors.

In December last year Mr Luce told the *House of Commons*: "The Government's commitment is to keep up support for the arts and its broad strategy is to fuel expansion of the arts by encouraging the private sector."

Expenditure on the performing and visual arts, including the Arts Council, will rise from £151m in 1986-87 to £154m in 1987-88 and to £160m in 1988-89, an average annual rise of 3 per cent.

Museums and galleries get slightly higher percentage increases. Most of this spending —which is planned to rise from £100m in 1986-87 to £104m in 1987-88 and to £110m in 1988-89 — goes to the ten national museums.

Central government accounts for only about 40 per cent of total arts spending, the remainder being provided by local authorities. Total local authority expenditure on the arts is projected as falling from £483m in 1986-87 to £469m in 1987-88 but then rising to £480m in 1988-89.

For 1986-87 the Arts Council grant of £138.4m will include £24m for extra central funding following the abolition of the metropolitan authorities on April 1 last year. In 1986-87 they allowed £25m. In their final year, the metropolitan authorities were spending about £40m on the arts.

Ralph Atkins

EXPORT FINANCE

Big fall forecast in cost of subsidising credits

The subsidy involves Government payments to banks through the Export Credits Guarantee Department to make up the difference between market interest rates and the internationally-agreed fixed rates for export credits.

Its total cost is expected to fall from £153m in 1987-88 to £100m in 1988-89 and £40m in 1989-90. The current year cost is estimated at £225m compared with £401m in 1985-86.

NO 15—8/8½

ECGD said yesterday the forecast drop reflects an expected fall in eligible export business, given the worldwide slump in international project contracts. The lower cost will also reflect efforts to bring internationally-agreed rates for fixed-rate export credits more in line with market interest rates.

However, the actual out-turn will also be affected by other uncertainties such as exchange rate movements and fluctuations in short-term sterling and dollar exchange rates.

The flow of UK exports financed under the scheme is expected to drop from £2.6bn in 1987-88 to £2.3bn in 1988-89 and £2.1bn the following year. The original estimate for 1986-1987 was $3.1bn, although a lower actual outurn is expected.

Other factors tending to cut the cost of the scheme include the ECGD's recent operation to hedge its part of its liabilities through a $2bn interest swap programme in the international capital markets.

ECGD's running costs, which are met from its trading income, are expected to be about £35m in the coming financial year (£33m in 1986-7), reflecting the initial cost of implementing the current Business Plan.

Peter Montagnon

POLICE

The force grows stronger

THE STEADY increase in police strength in England and Wales is shown in the manpower figures for the last six years and in projections to 1990.

Numbers stood at 120,848 in March 1986, an increase of 6,305 since 1980. The Government's plans provide for a further increase of 1,891 in 1987-88 and for total police strength (police and civilians) to increase to over 170,000 by March, 1988. This compares with a current figure of 167,000.

There is increased provision for the National Drugs Intelligence Unit and for a big television advertising campaign on crime prevention.

Spending on the police rose from £1.9bn in 1981-82 to £2.7bn in 1985-86, £3bn in 1986-87 and an estimated £3.2bn in 1987-88 and £3.3bn in 1988-89.

Richard Evans

EDUCATION

The advance of selection

THE TURNING of the tide against the comprehensive school movement is marked by the provision of £54m over the next three years for the proposed 20 City Technology Colleges.

The CTC scheme, to cater for 16,000 selected 11 to 18-year-olds, was announced by Mr Kenneth Baker, Education Secretary, in October. He wants to persuade private sponsors, *including businesses, to put up* capital to house and equip the colleges. They would be owned and managed as independent trusts with Whitehall supplying the running costs.

Although the response—particularly from industry—has not so far met Mr Baker's hopes, he is pressing on with the scheme. Tory ministers cherish it as an emblem of their plan to reduce local government control of schools and hand more power to governing bodies

A less prominent move towards the same end, which is also marked by the White Paper, is that from autumn this year governing bodies will have the legal right to decide the spending of part of school budgets. While such powers have already been delegated by Cambridgeshire, Solihull, Cheshire and a few more of the 97 English local education authorities, it will be a new responsibility for most state school governors.

Of the £54m set aside for the CTCs, £4m is scheduled for spending during the coming financial year. In the following two years, the outlay is due to rise respectively to £20m and £30m. The first of the colleges is not expected to open until September 1988.

Over the same period, expenditure on the assisted places scheme—which subsidises children from lower income families who win places at independent schools—is budgeted to reach a peak of £60m a year.

Another move to change the balance of educational power, but in a centralising rather than a liberalising direction, is represented by £460m of the £12.9bn total provided for 1987-88 spending by English local authorities. The £460m is to cover pay increases for teachers which Mr Baker is legislating to impose, along with more stringently defined job conditions. This would give central government greater power over school management than ever before. Reserve provision has also been made for a further 3.75 per cent rise in teachers' pay.

In real terms, the £12.9bn total for schools, polytechnics and further education colleges represents an increase of less than 1 per cent over the local education authorities' expected spending in the present year. It is about £500m less than they claim they will need for the coming year.

The total planned for recurrent spending by universities in 1987-88 is £1.5bn which, like the local authorities' allocation, is the same sum as was foreshadowed by the public expediture statements in November.

Michael Dixon

EMPLOYMENT

Government to boost help for jobless

THE GOVERNMENT'S increased emphasis on employment—especially in the possible run-up to a General Election—is reflected in the substantial growth in spending on employment measures: a 94 per cent increase in spending in real terms on the Department of Employment's work from 1978-1979 to 1986-87.

Training, principally the Youth Training Scheme, which now runs for two years, and special employment measures such as the Community Programme, which is designed to help the unemployed back into the labour market, make up the bulk of the Government's employment expenditure.

Total spending in the Employment Department group in 1986-87 is, at £3.91bn, estimated to be about £10m lower than envisaged after adjusting for the employment measures introduced in the 1986 Budget.

These include the Restart programme, the New Workers' Scheme, and the expansion of the Community Programme, Enterprise Allowance nad Small Firms Loan Guarantee schemes.

The Restart scheme—the programme announced in the Budget to help the long-term unemployed return to work—is part of the department's measures on labour market efficiency, which accounts for £208m, or 11 per cent, of Employment Department group spending in 1987-88.

Figures in the White Paper give—for the first time in this form—indications of the projected expenditure levels on the programme, the numbers currently involved in it, and those likely to become involved.

By the middle of last month —the latest figures available—about 900,000 unemployed had been contacted for an interview under Restart, and about 689,000 interviews had been conducted.

The employment department is monitoring the scheme to see how many jobs result, but Lord Young, the Employment Secretary, is already claiming it as the main reason why the latest quarterly figures for the numbers of long-term unemployed have fallen for the first time since the early 1970s.

The figures show that the programme's main impact is likely to be in its first year of operation, almost halving in 1987-88 and beyond.

The start-up of Jobclubs — facility centres designed to help unemployed people apply for work — is reflected both in the estimated sharp increase in the number of people expected to use them (likely to rise from under 2,000 in 1985-86 to 200,000 in 1989-90) and, more importantly, in their impact. The number of those finding work as a result of using Jobclubs is forecast to rise from 1,261 to an estimated 120,000 by 1990.

Total spending on employment and training is estimated to be about £3bn in 1987-88, rising to £3.3bn in 1989-90 — a fivefold increase in cash terms on 1978-79 figures.

Training now accounts for 40 per cent of the employment department group's total spending, with 38 per cent spent on employment measures.

Some measure of the schemes' effectiveness is given in advance of a forthcoming Treasury document on the output and performance of individual departments in central government.

The first-year direct net Exchequer cost for each person no longer unemployed, taking all the special employment measures together, was £4,850 in 1984-85, £6,650 in 1986-87, rising to £6,700 in 1987-88 and forecast to rise to £6,950 in 1989-90.

RESTART PROGRAMME

	1985–86	1986–87 Est	1987–88 Plans	1988–89 Provision allows for:	1989–90
Expenditure (£m)	0.1	45	36	41	43
Numbers counselled	14,070	1,360,000	700,000	700,000	700,000
Numbers attending Restart courses	1,016	204,000	50,000	50,000	50,000
Numbers receiving Jobstart allowance	122	8,000	20,000	20,000	20,000
Number of Jobclubs†	37	1,000	1,000	1,000	1,000
Number passing through Jobclubs	1,975	42,000	150,000	200,000	200,000
Number of job entries from Jobclubs	1,261	25,200	90,000	120,000	120,000

† Rises to 1,000 at 31.3.87. Will rise further to 2,000 if need continues

The White Paper predicts that the numbers helped by the YTS programme will decline by the end of the decade. For both 1986-87 and 1987-88, the annual totals will be 362,000, but by 1988-89 they are expected to fall to 346,000 and to 321,000 the following year.

However, the gross cost per filled YTS place of £2,800 in 1985-86 is expected to fall to £2,600 in 1986-87.

The employment department group is now responsible for tourism, an area in which the Government sees considerable scope for job creation. The promotion of enterprise, now listed as a priority area for the department, informs all its work.

Total tourism spending is about £40m in 1986-87, although more money is expected to be announced next month for a revision of the tourism development schemes provided under Section 4 of the 1969 Tourism Act, which currently attracts spending of £9.4m.

Some other traditional areas of employment-related work, including industrial relations and health and safety, now account for small parts of overall employment spending—£18m (0.5 per cent of the total) and £92m (2 per cent) respectively.

Total employment department group manpower, estimated at 55,636 in 1986-87, is predicted to rise to 58,640 by the end of the decade.

Philip Bassett

THE GUINNESS AFFAIR

Thin lines and grey areas in the City

"THERE CAN sometimes be a thin dividing line between the House of Lords and Pentonville Prison," said Sir Ralph Richardson in the film O Lucky Man. Current discussion of the massaging and manipulation of company share prices in bid battles is peppered with talk of such "thin lines" and "grey areas."

But is it the case—as Guinness, Morgan Grenfell and Cazenove would no doubt maintain—that all big City operators have been forced by increased competition and huge success-geared fees to press up against that line?

The answer given, anonymously of course, by a representative sample of merchant bankers is interestingly ambiguous. They all concede that big bid battles are increasingly decided by "market power"—the ability to inflate the share price of the bidding company (or deflate the price of the target) to increase the value of a share offer.

They insist, however, that a clear distinction must be maintained between legitimate and illegitimate "fan club" share-buying operations. The trouble is, when pressed, the clear distinction tends to dissolve. One banker claimed most of the big banks now operate in the twilight zone.

On one point they all — unsurprisingly — agreed: Morgan Grenfell has been market leader playing to the limit of the rules. "Morgan Grenfell had a reputation we all envied for moving share prices," said one.

Another banker, who worked closely with Morgan Grenfell during the Guinness bid for Distillers, said: "They just got carried away by their own hype. With their confrontational philosophy and star status for people like Roger Seelig it always looked a very high-risk strategy. At Warburg, for example, no one is allowed to behave in the way some of the Morgan stars did."

If Guinness did operate an illegitimate fan club in the Distillers bid — and clearly that has not been proved — it might have overstepped the line in up to three different ways.

First, company law would have been breached if Guinness directly or indirectly bought its own shares without shareholder approval — most likely through offering an indemnity or other such inducement to a third party to do so.

Second, the law on insider trading would have been breached if the company provided information to abitrageurs about an imminent bid in return for support at a later stage in the bid. Third, the Takeover Panel rules would have been broken if purchases by a concert party or associate — in either the bidding or target company — were not declared.

How often are any or all of these laws or rules breached?

According to unpublished research allegedly commissioned by Guinness into the 19 biggest contested bids of the past two years, the bidders' share price has surged ahead at critical times during the bid in all but two cases.

That in itself proves nothing, unless you believe all fan clubs are beyond the pale. However, as most merchant bankers and brokers will point out it is an accepted part of their job to support a client's share price—especially during a bid.

The creation of a "legitimate" fan club is likely to accompany any presentation during a takeover battle. The bidding company will at that time ask institutions to support its share price as well as vote their shares in the target company. Financial advisers to the bidder will argue that the takeover is a good one, is likely to succeed, and will therefore boost the bidder's share price.

Happier days. The former Guinness chairman Ernest Saunders (right) toasts the Distillers purchase with John Connell (left) and Sir Thomas Risk

A bidding company will also appeal to its own long-term shareholders to buy more shares (or, increasingly, share options) especially if they have done well out of the holding. They may also be reminded that if the bid fails it will probably hit the price. As one banker put it: "You exploit goodwill to the maximum."

The other group that can often be persuaded to support a bidder's shares are the bid's underwriters. That is particularly so in the case of success-geared underwriting, where much larger commissions are won if the bidder is victorious—a powerful incentive to give in to persuasion.

The temptation to bend rules has grown because the reputation of merchant banks and brokers depends now in part on their ability to call up powerful fan clubs. There are three practices, at least, which qualify for the "grey area."

First, and most notorious, is the City's famous back-scratching network, which goes rather beyond exploiting goodwill. It is summed up in the phrase "you don't turn down Cazenove." In other words, if Cazenove, or any other powerful broker, asked an institution for support, that institution dare not refuse. It would fear being left off the list when a good rights issue or new issue came along.

Second, with the growing influence of arbitrageurs in UK bids—they can now hold up to 20 per cent of target companies by the end of a bid period—the temptation to leak to them is becoming overwheling. One banker who was adamant that he never did deals with arbitrageurs said: "They ring you every day in bids and you certainly don't tell them to piss off because you need their support."

It is not hard to imagine hints being dropped about the timing of, say, an increased offer.

Third is the question of defining indemnity payments to buyers of a bidding company's shares. If a merchant bank spends millions of pounds buying its client's shares and gets an extra fat fee for it, is that not tantamount to a company buying its own shares?

As one banker said: "It's a trick-area—it will certainly be part of the negotiations if we have been buying a lot of company's shares."

The line between the "grey area" and illegality does indeed appear to be narrow. It can be summed up in the difference between making a loose "general" commitment to recompense the member of a fan club and giving a specific guarantee to do so.

Short of freezing the share register of a target company the moment a bid is made, what then can be done to widen the line between legality and illegality? The view of the Takeover Panel appears to be that the rules and laws are in place; it is just a question of better detective work. "Of course if you don't want car accidents you could ban cars from the road," said one Panel executive member."

Nevertheless, the consensus is that there is some scope for greater transparency in transactions—particularly since trading left the floor of the Stock Exchange. The Takeover Panel has just ruled that some underwriters might form a concert party and thus become susceptible to disclosure. Should not shareholders in a bidding company thus be regarded at least as associates in a bid—therefore having to disclose any relevant share-buying?

Another suggestion is that merchant banks should have to declare their fees—thus enabling share-buying indemnity payments to be spotted. Hill Samuel was recently censured for indemnifying third parties in the purchase of AE shares—the first time the bank had ever done such a thing. When it explained that it was taking any loss on to its own books it was widely, and unfairly, disbelieved. Robert Fleming is currently buying the shares of its client Bryant Holdings but has stated already what its fee is and is thus beyond suspicion.

As Mr Peter Baring, of Baring Brothers, said: "I think one thing is certain. There should be fewer grey areas when this is finished."

David Goodhart

Bank Leu awaiting 'all clear' to explain its role

BY OUR FOREIGN AND FINANCIAL STAFF

BANK LEU, the Zurich-based bank named in the Guinness affair, intends to make a full disclosure of its role once it has received Guinness's permission. An announcement may be expected today.

The bank said yesterday that its relationship was subject to Swiss banking secrecy laws, but it was seeking the permisssion of the brewing company's board to co-operate with the inspectors from the Department of Trade and Industry who are investigating Guinness, and to comment generally.

Dr Arthur Fuerer, chairman of Bank Leu, is a non-executive director of Guinness, and was believed to be in London attending the board meeting.

He is in his mid-60s and was chief executive of Nestlé until 1984. Until 1981, Mr Ernest Saunders, the chairman of Guinness who has stepped down, was also in the Nestlé senior management.

This is the second affair in which Bank Leu, smallest of Switzerland's Big Five banks, has been involved in recent months. Last year, its Nassau-based subsidiary, Leu International, was implicated in the insider-trading case of Mr Dennis Levine, the New York investment banker. That led to the dismissal of several executives.

Mr Adolf Braendle, general manager, said the parent bank had done all it could to help the US authorities after the corresponding approval had been received from the Bahamas government.

He also said that any connection between the alleged misuse of the Bahamas bank for Mr Levine's transactions and Mr Ivan Boesky, the disgraced arbitrageur linked to Guinness, was "totally unknown" to the bank. Banking circles in Zurich also rule out the possibility of a link between Bank Leu and Mr Boesky or Mr Meshulam Rikils, the US distributor of Distillers products who bought Guinness shares during the bid.

Most of Bank Leu's earnings come from securities dealing, underwriting, gold trading and other fee-earning business. It has a limited retail operation in Canton Zurich and much of its balance sheet involves inter-bank business.

The allegations concerning Bank Leu and its chairman are a further embarrassment for the Swiss financial community, which in recent years has been plagued by cases in which foreign clients have apparently abused banking-secrecy protection.

Although any call for stricter regulations on the basis of the implications of the Guinness affair seems unlikely, the latest claims will strengthen the contention of the Swiss banking commission and the National Bank that banks could be adhering more closely to the tenets of their own "good-conduct code."

Argyll may bring action against Guinness after DTI reports on Distillers takeover

BY CLIVE WOLMAN

THERE IS growing likelihood that the Argyll Group will bring an unprecedented legal action against Guiness once the Department of Trade and Industry's report has been completed.

The Argyll directors are likely to come under pressure from their shareholders to bring an action based on the claim that Guinness unfairly frustrated Argyll's takeover bid for Distillers last year.

Almost certainly, Guinness's advisers during the takeover battle, in particular the merchant bank Morgan Grenfell, will be joined as parties to the action.

The amount of money at stake is likely to be more than £100m, enough to boost Argyll's net asset value and its stock market capitalisation by over 20 per cent.

But, to succeed, Argyll will have to prove several separate points:

- That during the takeover battle there were breaches of the Companies Act or other wrongdoings;
- That Guinness or Morgan Grenfell as companies—and not just some of their directors or other employees—were responsible for the wrongdoings;
- That Argyll would have won the bid for Distillers without the wrongdoings;
- That Argyll suffered a loss as a result of failing to win control of Distillers.

Argyll has been advised by its solicitors, Clifford Turner, that one possibility of any claim for damages could be that the company was the victim of a conspiracy to defraud. To have any chance of succeeding, Argyll would have to show that Guinness directors had knowingly or recklessly made false representations in their efforts to conceal the illicit financial assistance they gave to boost the company's share price.

However, to demonstrate a conspiracy to defraud, a higher standard of proof is required than is normal in a civil case. Argyll would be able to use the DTI inspectors' report as evidence, but the report would not carry enough weight by itself unless it led to successful prosecutions of some of the people it names.

Argyll would face a lower burden of proof if it brought a claim based on breach of statutory duty or possibly some other tort such as deceit. The breach of statutory duty would refer to the large-scale share support operations, which breached several sections of the Companies Act.

However, those sections of the Companies Act appear to be designed to protect Guinness shareholders rather than a company such as Argyll which was confronting Guinness in a takeover battle. For that reason, the courts may refuse to accept that Argyll has any right to civil damages for such a breach.

Guinness might also claim that those directors, in particular Mr Ernest Saunders, the chief executive, and Mr Olivier Roux, the finance director, who breached the Companies Act did so without the authority of the board. Therefore the company itself could not be held responsible.

In view of the scale of the involvement of Guinness directors that has now become apparent, the chances of Guinness disclaiming responsibility successfully are low. But if it did, it would force Argyll to claim damages from the individuals responsible, or from Guinness's institutional advisers.

However, Morgan Grenfell, too, might claim that it was not responsible for the actions of some of its employees

The next, and most difficult, hurdle for Argyll would be to demonstrate that, on the balance of probabilities, it would have won the takeover battle, had it not been for the malpractices that artificially boosted the Guinness share price.

One important piece of evidence is that the final Argyll cash offer to Distillers shareholders was well above the Guinness cash offer and therefore the Guinness bid succeeded primarily on the strength of its share offer and share price.

Certainly until the Guinness share support operation was underway, the Argyll offer looked more attractive. Many considered that Guinness would have to make a revised cash and share offer—which it never did—to win the battle.

The most complicated question would be the damages to be awarded to Argyll. It could claim either the costs of the frustrated bid, which amounted to £55m plus interest, or the incremental profits it would have made had it acquired Distillers.

It could not claim both, as it would have had to pay the costs anyway to gain the incremental profits.

To calculate those incremental profits would require some kind of discounted cash flow analysis to cover both the Distillers acquisition price and the projected flow of profits from the Distillers businesses, plus the benefits of synergies with the Argyll business.

Guinness would doubtless repeat the claim it made during the takeover battle that the acquisition of Distillers would be of no benefit to Argyll and it would gain no incremental profits.

The courts, if they decided in Argyll's favour, would probably refer the calculation of the size of damages to an independent assessor.

BUSINESS LAW

EEC: impossible plastics cartel

By A. H. Hermann, Legal Correspondent

THE CHEMICAL industry can claim credit for innovation and development of competition law on both sides of the Atlantic. It has a propensity towards co-operation — not to say "cartelisation" — and it is also rich in patents and trademarks monopolies, the legality of which is often circumscribed by the antitrusters.

This year, we are likely to witness another such "chemical" development of competition law, when the European Court comes round to passing judgment on the appeal of 15 producers of plastics, whom the EEC Commission found to be guilty* of sharing the market and fixing the prices for polypropylene, fining them a total of Ecu 57.8m (£37.3m). Of this total, almost one third is borne by ICI and Shell, another third having been imposed on the Italian Montedipe and the German Hoescht. The rest is shared by lesser Belgian, Italian, French, German, Dutch, Austrian, Norwegian and US culprits.

The decision of the Commission was adopted in April 1986 but published only in the Official Journal of August 18. By the end of October, all the condemned companies appealed and the European Court should by now have the Commission's defence. The Commission's decision, and what little is known about the appeals, present the usual picture. The decision is rich in legal theory, the appeals deny everything, complaining that the Commission did not support its theories by facts and that the companies were not given a fair hearing.

On first sight, the decision, which takes 66 pages of the Official Journal, seems more impressive than one is used to. There are no less than nine tables attached to it, suggesting that the Commission accumulated evidence about each of the numerous meetings of the European polypropylene producers, which took place each month between September 28 1979 and December 21 1982.

Every month there were, as a rule, two meetings, one of the "bosses" and the other of the technical experts. The agenda was dictated by the fact that the western Europe polypropylene market was not more than some 1.6m tonnes compared with a capacity for producing about 2.1m tonnes—an excess capacity of 0.5m tonnes.

There is no doubt that, in the face of overcapacity and tumbling prices, the industry had every interest in coming to some agreement about market shares and minimum prices. But did they come to such an agreement? And if they did, was the agreement effective? And when effective, did it affect adversely interstate trade? Did the agreement or concerted practice amount to an infringement of the competition rules of the Community, or was it rather—as argued by Montedipe, which leads with a fine of Ecu 11m—an attempt to avoid sales below cost price, which could well be viewed as anti-competitive predatory pricing.

There was also no single agreement on which to focus. The Commission takes the view that the whole complex of schemes and arrangements adopted at these regular and institutionalised meetings must be viewed as a single "continuing agreement." Such continuing agreement—even if not legally binding—was, according to the Commission, likely to limit the producers' commercial freedom.

Sometimes, the Commission admits, the producers did not reach agreement, as, for example, on the proposal of quotas for 1981 and 1982. However, stopgap measures, such as the exchange of information and the monitoring of actual monthly sales, indicated, according to the Commission, an implied agreement to maintain as far as possible the previously achieved market shares.

As to price initiatives, the Commission takes the view that when, even before 1979, the producers only followed in their price policy one or other producer, this follow-the-leader behaviour was also the product of an agreement.

As such price initiatives take several months to complete and implement, it made little difference, according to the Commission, if some producers were absent from the meetings as they were informed by others about the proceedings. This particularly applies to Shell, which was absent from all plenary sessions but was still found guilty of participating in the alleged cartel. In the view of the Commission, each participant company must take responsibility not only for its direct role, but for the operation of the "agreement" as a whole.

Whatever the unrecorded mental reservations some producers may have had over a particular scheme or price initiative, they were all, the Commission says, deeply involved in the overall plan to fix prices and divide up the market.

The Commission relies on the sugar cartel judgment†, in which the European Court held that to satisfy the competition rules of the Treaty, each operator must determine independently the commercial policy which he intends to adopt in the Common Market. This requirement should not prevent companies from adapting to the existing or anticipated conduct of their competitors. However they must avoid direct or indirect contact between competitors, seeking to influence the conduct of competitors in the Common Market or to disclose to them the course of conduct which they intend to adopt.

Article 85 of the EEC Treaty prohibits agreements which may affect trade between member-states and which aim at prevention, restriction or distortion of competition. The Commission dealt summarily with the requirement that to be prohibited, an anti-competitive agreement must affect interstate trade. It dismissed the whole issue by simply stating, in point 93 of its decision, that the pervasive nature of the agreement must automatically result in the diversion of trade from the channels which would have developed in the absence of such an agreement. Such automaticity is difficult to understand and even more difficult to believe while the Commission acknowledges that, in setting quotas or targets, the producers did not break the allocation down by member-states or by region.

The Commission is on safe ground when it asserts that the objective of the producers was a restriction of competition. But it admits that "in practice the cartelisation of the market was incomplete and did not entirely exclude the operation of competitive forces . . ."

"It is true that the achieved price level generally lagged behind the 'targets' and that price initiatives tended to run out of momentum, sometimes eventually resulting in a sharp drop in prices," states the Commission. But it goes on to argue that there was a regular pattern over the years of close parallel movement of targets and actual levels. Indeed, the graphs compiled by the producers, and included in Table 9 attached to the decision, confirm a parallelism, however, not of a sort which would justify the Commission's conclusion (see illustration).

With very few exceptions, the price targets *follow* the movement of prices with a lag of one or two months, keeping five to 10 per cent (exceptionally 2[illegible] per cent) above the actual price. This suggests that the producers were resigned to their inability to influence the market price and made the targets follow the market in a certain, psychologically motivated, distance.

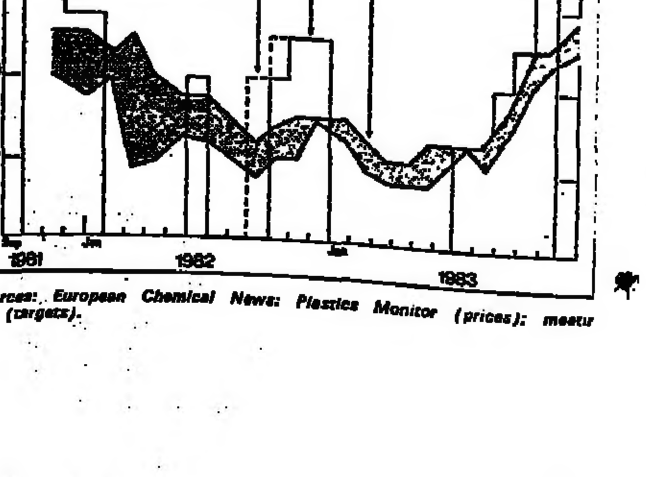
This observation should rule out the Commission's conclusion that, in the absence of agreement, there was certainly a concerted practice. A "concerted practice" cannot be said to exist as the result of mere intention not followed in practice. As to agreements, these are prohibited, as long as they affect trade between member-states even if they only have the object of restricting competition.

The question here is, however, whether such a criminal objective was realistic in view of the huge overcapacity and the tremendous pressure to which would-be members of the cartel were exposed by their losses.

The question whether cartelisation was a practical possibility will deserve the attention of the Advocate General. It can hardly affect the criminality of the attempt, but it could influence the evaluation of the appellants' argument that they did not intend the impossible as well as the gravity of the infringement to which the determination of fines should have regard.

* Decision 86/398/EEC IV/31.149 Polypropylene

† Joint Cases 40-48, 50, 54-56, 111, 11[illegible] 114/73, (1975) ECR 1663



Sources: European Chemical News: Plastics Monitor (prices); meeting reports (targets).

THE ARTS

Otello/Covent Garden

Max Loppert

The London operatic year ...arts with a Royal Opera great ...vent, a rare sample of genuine ...ternational Opera, a coming-...gether of leading international ...tists in a noble purpose: a ...ew *Otello* (sponsored by Mor-...an Grenfell) with Carlos Klei-...er as conductor, Placido ...omingo in the title role, and ...lijah Moshinsky as producer. ...ven those of us who doubt ...hether International Opera ...n be any longer a realistic ...ear-round aim at Covent Gar-...en would not want to be denied ...ch events; and after Tues-...ay's performance the air of ...atitude, of pride in the house, ...as general and palpable.

A new *Otello* was in fact ...ne at Covent Garden last ...nuary; its much-publicised ...elay means that, in the mind ... the British opera-traveller, ...e most memorable British ...atement about the opera in ...ecent times might seem to ...ave already been made—by ...e Welsh National Opera, last ...ebruary, in Peter Stein's pro-...undly searching, revelatory ...oduction (which can be seen ... television next month in ...lebration of the *Otello* ...ntenary date). Though the ...ew Royal Opera staging is ...stinguished by many cool, ...berly imaginative insights, ...d though it is played in a ...tting (by Timothy O'Brien, ...stumes by Peter J. Hall) of ...acious, well-wrought per-...ectives, Verdi's opera under-...es here no such producer's ...ansforming vision.

That, instead, comes from the ...t, and from a conductor with ...e ability to extend un-...aginably one's sense of the ...teello sound-world. It can ...irly be said that the WNO ...d Royal Opera performances ...e complementary; and that ...e latter does not seem the ...sser, as well it might have.

Kleiber first conducted the ...era at Covent Garden not quite seven years ago (with Domingo undertaking his first London Otellos). At the time his command of the work, and of all the forces under his incomparably lucid, assiduous baton, seemed remarkable enough. Time has developed it, so that to the exemplary clarity of orchestral and choral sound there is now added a kind of spiritual incandescence. This conductor never proposes for Verdi the saturated, deep-toned orchestral balance generally considered proper for Wagner. At all levels, and even in passages of white-hot excitement, the sound remains transparent, minutely detailed, sustained as one huge dramatic arc (there was, praise be, only a single interval).

In 1980 I felt that responsiveness to the singers on stage was perhaps the single possible question-mark over Kleiber's conception; but I feel it no longer. On this occasion, indeed, the feeling of identification with the lyrical line was constant, so that after a while one came to record it only at specially telling moments — the diaphanous sweetness of string tone rising up around Desdemona's first phrases; the hideously suggestive small string portamentos lapping up toward the end of Iago's Dream; the solemn, very quiet sustainment of the work's final pages. In common with all truly probing musical minds Kleiber has the power to make a well-known, well-loved masterpiece echo with fresh resonances in the mind; also to make one rush back to the score.

In the greatest and most demanding of his many Covent Garden roles Domingo returns to give what is unquestionably his finest Covent Garden performance. If capacity for development is the mark of the *genuine artist*, he shows conclusively the impatience with previously-achieved standards, high enough in all conscience, that sets him apart from most of the leading opera singers of the day. An Otello that in 1980 had to be accounted the most refulgent and generously voiced of the Covent Garden post-war period is now not a whit less vocally accomplished; yet it has accrued a mastery of suffering, self-doubt and credible greatness of soul that was previously only hinted.

The tenor now requires, and the conductor willingly provides, a more expansive view of key passages (notably "Ora e per sempre"). The emotional pressure on certain words discharges a dramatic impetus that lends even greater weight to the tragedy. The stages of progression toward downfall are flagged with myriad subtle physical details—how sharp the producer's dramatisation of the first jealousy exchanges amid the humdrum paperwork of daily state business, and how well Domingo and the Iago of Justino Diaz control their unfolding. It is, or should be, axiomatic that no single operatic tenor can ever hope to compass the full range of this mighty role. Domingo comes as close to doing so as we are ever likely to see and hear.

His partners in the Covent Garden production, Katia Ricciarelli and Diaz, are also those of the unworthy Zeffirelli film, currently on its British rounds. The classic Desdemona voice is a fuller instrument, with a surer top, clearer words, and a steadier legato, than the Italian soprano has ever possessed, yet in company with Domingo she too achieves her finest Royal Opera performance. There seems to be no gap between the character and its simple, radiant impersonation; the gentle, heartfelt musicianship, replete with the most delicate applications of tone-colour, do as much as anything to work its way to the core of the experience.

Justino Diaz (top) and Placido Domingo

The Puerto-Rican bass-baritone, a handsome stage figure, is a very good Iago without being an absolutely top-flight one. The absence of melodramatic exaggeration is admirable, but the expressive accents lack individuality; Iago needs to leave his imprint as soon in the first act as possible, and this Diaz fails to do. The supporting cast is competent, unremarkable, with a special nod to Anne Mason's assertive Emilia and Christopher Gillett's incisive Roderigo.

The production reveals a powerful, and specifically Venetian, pictorial influence: the composition (the word is advisedly employed) of much of the first act is directly out of Veronese, and elsewhere Tintoretto seems to have provided the visual starting-point. A danger in any such theatrical method is that when the "picture moves," the effect can be untidy — and the handling of large crowds has never been Moshinsky's strong point, as we noted once again during the Act 1 revels and the stiff Act 3 finale. But there is a blend of cool and warm, sombre and dramatically striking, in the basic design, with its excellently painted and proportioned Classical pillars; and this supplies the principals with an imposing yet uncluttered framework, which they are invited to use to the full. The previous Royal Opera *Otello* lasted three decades. Though nowadays such durability is not universally deemed a desirable goal, the house has an *Otello* that should see it safely and reliably through several seasons.

Goehr's new Symphony/Radio 3

David Murray

—Or to be exact, Symphony with Chaconne: Alexander Goehr is not our leading composer-academic for nothing. In recent years, since he forswore serialism, it has sometimes seemed that he was also becoming an academic composer. This large new work — it played, for more than three-quarters of an hour in its first performance, given by Edward Downes and the BBC Philharmonic in Manchester on Tuesday—is stranger and more impressive than that.

The Chaconne functions as a slow third movement: 35 elaborated repetitions of a plain theme (presumably derived from the "De profundis" plainchant, as much as Goehr's material expressly is), all in the statutory eight bars except the last, which leads into the Finale without a break. In Brahms' Fourth Symphony the analogous Passacaglia *is* the crowning Finale; Goehr's Chaconne is no less evidently the heart of his symphony, but the substantial movement that follows it has to make its own point. On this first hearing, that was the problematic point. Time will tell.

In fact time, as lived through, is Goehr's particular preoccupation here. The Chaconne bears an epigraph from Richard II's last monologue "And here is not a creature but myself." The King is imprisoned, waiting to be murdered; he tries first to force a poetic comparison between the populous world and his own hapless, solitary condition, and then — prompted by offstage music — falls to more cogent musing about time, concord and proportion.

In the Symphony as in other recent Goehr, the dissonance-level is painlessly low, though there is no pretence of old-fashioned "concord." (The closing chord is C minor with added sixth, but it is curiously unemphatic, and reached by elusive steps.) There are many tunes, reiterated often enough to make honest guideposts, and the richly intricate rhythmic detail is contained within broad, sturdy patterns — no pulseless roulades or explosions.

No "orchestration," either—a claim which has been made about the First Symphony of Goehr's Manchester-school colleague Peter Maxwell Davies with less justice: here there are no tingling orchestral washes, no electrical tremoli, but only some sonorous instrumental doublings and a little percussive tinting (celesta, harp and crotales to add silver, tom-toms and bongos for dry articulation).

Expressive, judicious counterpoint is all—that and the grainy, non-tonal harmony that it generates. Sometimes dense, often canonic, sometimes spare and desolate: the defeated struggles and numb pauses recall Mahler's Ninth, as does the *dolce* solo violin in the first movement. The musical argument, always tense, is conducted in clearcut paragraphs. The second movement is a volatile but pawky scherzo, with a comically strummed trio. The problem so far is the last movement, for which the nearest parallel is the Rondo-Finale of Mahler's Fifth — same eager "Academic Festival" air of learned ingenuity, but here repeatedly choked off and disheartened.

I thought that Downes captured brilliantly the first-movement sense of erratic subjective time, by turns pressing and intimately stretched-out, and yet in cogently surprising order. Perhaps he needs more time to find the true pulse of the Finale, or perhaps it just hasn't enough highs and lows to make an adequate response to the elevated despair of the Chaconne —or, most likely, we listeners simply need better acquaintance with the music. It offers generous hand holds, for Goehr has set his face against the arcane kind of musical construction which is perceptible only in the printed score. He has translated his best chamber-music vein to a broader public scale without compromise; his Symphony compels receptive attention from anybody who cares about what original but historically conscious music can still say.

Last Chance for a Slow Dance/Man in the Moon

Martin Hoyle

The Man in the Moon pub theatre at the end of the King's Road soldiers on with accessible and interesting fringe productions. Currently attention focuses on Eddie O'Connell, star of the film *Absolute Beginners*, who portrays Gary Gilmore in *Last Chance for a Slow Dance* by Gregg Harris. The convicted killer, it will be remembered, brushed aside attempts to delay his execution by taking his right to die to the US Supreme Court, thus posing moral problems for the psychologists, prison reformers, liberals and humanitarians (here represented by robed figures in masks) who campaigned to save him.

The story, framed in flashback by Gilmore's execution, is an indictment of the socially-crippling process of imprisonment. Gilmore had spent most of his life behind bars. We meet the Mormon cousins who welcome him on release in 1976 with a job and good intentions; and watch their discomfort at the misfit's prison-cell humour, language and morality. His return to petty crime is inevitable. Inevitably, too, his love for the equally inadequate Nicole (Jenna Russell, braving goose-pimples in short cut-off jeans) turns ferociously possessive. On the rebound he commits two senseless murders.

Mr O'Connell is an actor both tougher an more subtle than the cinema allowed. He eschews easy sympathy, foul-mouthed and unstable, while remaining a hauntingly tragic figure; and makes the most of the author's sardonic perception of American materialism. "If I had lived I would not have made half as much." Gilmore comments, surrounded by journalists, publishers and commercial sponsors. The message and occasionally the method (the author directs), are Brechtian. Excellent support from Barry O'Rorke and especially, Sarah Swingler as a well-meaning cousin.

The 70-minute piece starts at 9.30. Earlier in the evening Empty Space Theatre Company presents *Wilde Stories*, a double-bill of *Lord Arthur Savile's Crime* and *The Canterville Ghost*. Six likeable young actors in costume but with invisible props perform with much doubling of roles à la Cheek by Jowl (back in town, incidentally). Andrew Holmes, who adapted, directs with fluency and flexibility on a setless stage, helped by Ron Hollis's lighting and the company's ability to evoke, mechanically unaided, night-hoots, the distant cries of paper-sellers and children playing, birdsong and clopping hooves. *Savile* goes better, a sharper, funnier story (oddly anticipating the stylish homicidal comedy of *Kind Hearts and Coronets*). The ghost story emerges as slightly disjointed, told in episodic scenes whose pace should be much tighter. Anderson Knight (Lord Arthur, an Etonian duke and a beefy American) stands out.

A walk through magical gardens of the past

It is inevitable that, as a ...actising gardener, garden ...thor and historian, I should ...d the exhibition, *The Glory ... the Garden*, at Sotheby's ...ntil January 28th) a total ...light and enchantment. I ...ite this looking out at my ...n garden spangled with white ...st, the earth frozen and for-...dding all major work until ...rmth returns. So how ...nderful it has been to go ... a walk in the magical ...rdens of the past and make ...ns for new vistas, topiary ...d fantastic follies in one's ...n.

This is no major academic ...hibition. How could it be in ... time available. But it is ... first time since *The Garden* ...hibition at the Victoria & ...bert Museum in 1979 that ... attempt has been made to ...semble a substantial amount of the visual evidence of English garden history from the Tudors to the present day. There are over five hundred exhibits from country house view paintings through portraits of famous garden designers, to items as dotty as a fancy dress ball gown from the 1880s for a lady as a strawberry. It may rightly be described as a delectable pot pourri and put together moreover with some taste as embodied in the trophies of both real and dried flowers.

There are times when it is clear that the organisers have perhaps erred too much on the side of taking anything which happened to have a bloom on it, but who cares. Just go and enjoy it. Why ever should every exhibition be put together as though the only people in the world who mattered were readers of *Apollo* and the *Burlington Magazine*. This exhibition is stuffed with bad painting, but just think how little we would know about the vanished gardens of the past if these naive hacks had not plotted every foot on canvas of these early gardens as though the earth had been upended for them.

Who, for instance, would ever have believed that a small manor house in Denbighshire would have had such an amazing garden in 1662? We can enjoy strolling along its terraces, admire the pretty summer houses and pergolas, descend from one terrace garden to another until we come upon a huge circular pond over which Neptune presides encircled by a double evergreen hedge. Nearby there is a cascade evoking Tivoli. Here we have the evidence of the response of one Englishman to what he had seen in Italy during the Commonwealth, for Robert Davies, its creator, had spent five years there in the 1650s.

I think that I am right in saying that the whole set of Hartwell House pictures from the late 1730s have never been seen in London together. Here they are, all eight of them, recording in minute detail the early eighteenth century remodelling of a formal topiary garden of the previous century. Hornbeam is trained into rythmic arcades and then allowed to spring upwards again to form almost paper thin walls. Vast corridors run in every direction focusing the eye on column or statue or fountain. And in the foreground there are precious records of the men who scythed and rolled the grass.

View of the Chinese Temple, Old Windsor, by Thomas Robins the Elder

Look too at the formal flower garden about 1780 which acts as a preface to Gawthorpe Hall and remember that it was planted and maintained through the era of Capability Brown. The rococo gardens delineated in the gouaches of Thomas Robins from the middle of the century impress by their exoticism. Garden buildings always are flights of fancy, built as cheaply as possible, so that these drawings record things long since vanished but executed in styles and anticipating by years what was to be built more solidly and survived. How else would we have known that the first recorded Chinese pagoda in this country was in the garden of a house in Gloucester? One is struck by the thinness of the planting and the ability to see from one folly onto the next. Can Davenport Park really have moved *its* visitors so swiftly from a Gothic pavilion at the end of a rectangular lake up a rocky promontory, on which stood a kind of Eleanor Cross, and then over a bridge spanning a ravine?

No exhibition of this kind would be complete without Levens Hall. The somewhat querulous face of Guillaume Beaumont looks out at us as though demanding his biography, long overdue, for he was gardener to James II and the designer of many a major garden. Although the topiary of Levens was romanticised in the early 19th century, Beaumont's scheme still remains intact. A major study of that garden has yet to be written, let alone one of the English baroque garden as a whole.

I have a nostalgic affection too for those lush turn of the century watercolours which record the swansong of the country house garden. Herbaceous borders can never have been so glorious as those painted by Helen Allingham, George Samuel Elgood and Alfred Ernest Parsons. Looking at the work of the latter on Warley Place one can fully understand Miss Willmott's staff of 104 gardeners.

There is an abundance of flower sprigged porcelain and fabrics, of flower painting, of marquetry bouquets and of the great horticultural books, each in its different way encapsulating our obsession with the garden. In all this is an endearing ragbag reminiscent of those exhibitions between the wars before the academics moved in. And it is crammed with the most covetable items. In my case Regency ceramic plant labels and the most stunning garden seat I have ever seen, designed by Thomas Chippendale.

Roy Strong

Arts Council backs Cork report

Sir Kenneth Cork's radical report on theatre in England has won the qualified backing of the Arts Council. The council announced yesterday that it was endorsing most of the recommendations made in the report, Theatre For All, which called for a shake-up in the finance and structure of theatre.

Among the key proposals which the Arts Council is supporting is a plan for subsidised theatres to receive at least 50 per cent of the return on their productions which transfer to commercial theatre. The Cork report was published in September, in the wake of allegations that Peter Hall, director of the National Theatre, and Trevor Nunn, joint artistic director of the Royal Shakespeare Company, had amassed personal fortunes from the commercial exploitation of their companies' productions. Both Hall and Nunn denied the allegations.

Other recommendations endorsed by the Arts Council are that theatregoers buying their tickets through an agency should be told of the face value of the ticket; emphasis should be given to the training of black and other ethnic theatre practitioners; and that the National Theatre and the Royal Shakespeare Company should embark on more regional tours and host regional and international theatre companies.

But the Arts Council's support for these measures will not mean their immediate implementation. A conference on the implications of the proposals will be held at the Old Vic in London on March 1. Sir Brian Rix, chairman of the Arts Council's drama panel, will be chairing the conference which will be attended by representatives from throughout the theatre world.

One of the main planks of the Cork report — that several regional theatre companies should be designated as national theatres — was tentatively approved by the Arts Council but will be the subject of a further study because of the extra funding required.

Sir Kenneth expressed disappointment that his plan for theatres to benefit from a 1 per cent levy on BBC licence fees and an equivalent sum from independent television companies, was merely "noted" by the Arts Council. Council members had felt that it would be difficult to persuade the government to introduce the legislation necessary to impose the levy.

"I'm sorry that they're not going all out to whip the TV companies," said Sir Kenneth. "They're pinching talent from the theatre and should jolly well pay up."

Annalena McAfee

Perceptions/St. John's

Dominic Gill

A tiny audience at St John's, Smith Square, braved the snow on Tuesday to hear the second of the New Macnaghten Concerts series "Perceptions"—whose five programmes between now and the end of February juxtapose and contrast 20th-century Russian and British works.

This programme, played by the London String Quartet, was devoted to string quartets: three Russian, two British, and as ballast a pair of familiar Stravinsky gems. John Buller's *Familiar* opened the dialogue: a muted exploration of quartet sonorities around 12 minutes long, neatly scored, charmingly uneventful. The evening's other British work, a new quartet by John Hardy (b.1959), was an urgent, busy essay of 15 minutes. The best things in it had an exuberant, Ligeti-like turbulence, but it was really no more special than the Buller, and drier of spirit, substantially uninviting.

The *String Quartet Opus 18* of Nikolai Karetnikov (b. 1930) composed in 1963 is one of the earliest essays in serialism by any Russian composer—and a remarkably confident one, beautifully controlled, deftly and delicately organised. The last two of its four movements are specially memorable.

Viacheslav Artimov's *Awakening* for two violins is a tiny, winding piece probably of greater symbolic significance (and weight) to a Russian audience than to our own. The two movements of Dmitri Smirov's (b. 1948) string quartet No 2, composed only 18 months ago, set out to prove that Richard Strauss is alive and well and living in Moscow —sometimes with his tongue in cheek, sometimes with genuine (and quite touching) nostalgic passion.

Terracotta/ICA

Claire Armitstead

The London International Mime Festival has established a reputation as a keyhole on the weird and the wonderful. Pat Van Hemelrijck, co-founder of the Belgian theatre troupe Radeis and one of two Belgian contributors to the festival, must rank as one of the weirdest.

In just under an hour, before an audience seated in what could be the skeletral belly of a plane or a whale (the breathing apparatus and disposable bags suggest the former) we are conducted through the story of creation in miniature, from first terrestrial whimper to last big bang.

The journey takes place within a large glass tank, through the earth bottom of which Van Hemelrijck excavates himself at the start, showering the surface with throwaway objects — an old shoe, a crumpled copy of *Le Monde*, cigarette packets and coke tins —all of which are to become aids to his silent narrative.

For those who associate the avant garde with obscurity *Terracotta* comes as a pleasant surprise. The performance is paced for utmost clarity by a performer who is eccentrically watchable. There is no doubt what is being depicted as Van Hemelrijck's mischievous deity chews a plastic mouse, finds it unplatable so lights a fire under it; or creates snowy wastes of crumpled newspaper and populates it with polar bears; or, finally, when he tires and begins playfully blowing his world up.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 9–15

...xhibitions

ITALY

...nice: Palazzo Ducale: China in Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

WEST GERMANY

...bingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

...ünster, Westfälisches Landesmuseum, Domplatz 10: August Macke: To mark the 100th anniversary of his birthday, the museum, helped by the Macke archive and sponsored by the estate of Northrhein Westphalia, is displaying 160 paintings, 130 pictures, 70 watercolours and documents. Macke, born in Meschede (Westphalia), studied in Düsseldorf and Berlin under Lovis Corinth. He was responsible for a new art form before the First World War. In the spring of 1914, he went with Paul Klee and Louis Moilliet to Tunis. In the same year, he was sent to the front in France, and died in action in Champagne. Ends Feb 2.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1969, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

PARIS

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the impressionist and Post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.

The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the opera and its district below glass tiles. The view of Paris from the terraces is an additional delight. Musée d'Orsay, Entrance 1, rue de Bellechasse (4549 4814). Closed Mon.

Japon des Avant-Gardes: A multi-disciplinary exhibition of some 500 objects retraces the 1910-70 period in painting, architecture and technology and is completed by a musical, theatrical and cinematographical programme. The influence of Japanese art on Western culture is well-known, the European inspiration of modern creativity in the Land of the Rising Sun much less so. The exhibition shows the tensions and contradictions of artists trying to absorb futurism, Dadaism and surrealism, movements so alien to their own ancestral traditions. Centre Georges Pompidou. Closed Tue. Ends March 2 (4277 1233).

Tarento's Gold: Some 1000 exhibits, of which 250 are of gold or other precious materials, bear witness to the sumptuous way of life in ancient Tarento. Found in tombs, the treasure consists of earrings, bracelets and necklaces, all exquisitely worked by goldsmiths during the Hellenistic period. Even everyday objects are stamped with the same high artistic quality, as are delightful clay statuettes. Musée Jacquemart-Andre (4289 0491), closed Mon. Ends Feb 13.

France and Russia in the Century of Enlightenment: A didactic exhibition of 600 paintings, sculptures, objets d'art and rare manuscripts shows how cultural contacts between the two countries, practically unaware of each other at the beginning of the 18th century, grew to a constant flow of ideas and works of art by the end of it. The exchanges, begun by Peter the Great, became ever more intense under Catherine II who was fascinated by French philosophers and French aristocracy's art de vivre. Grand Palais (4289 5410), closed Tue. Ends Feb 8.

NETHERLANDS

Leeuwarden, Singer Museum. Glass creations by Sybren Valkema. Ends Jan 18.

Groningen, Groninger Museum. The use of colour in modern European architecture from 1910 to the present. Ends Jan 25.

Amsterdam, Van Gogh Museum. The seven Van Gogh sketchbooks have now been reconstructed and are on display for the first time, with the associated drawings and paintings. Ends Feb 8.

SPAIN

Madrid: Miro sculptures (1893-1983): 100 sculptures and 149 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections after a vision of Miro's sculptures of 1930-1978. Ends Jan 20. Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Chatat 1. Ends Jan 20.

Barcelona. Georges Braque. A retrospective gathers 128 drawings, tapestries, sculptures and paintings from 1900 to his death in 1963. Museo Picasso, Montcada 15-19, ends Jan 25.

Madrid. Masterpieces of the Wuppertal Museum, from Marees to Picasso. Works by relevant artists on loan by the Von der Heydt Museum in Wuppertal: Cezanne, Manet, Kokoschka, Leger, Gauguin, Schad illustrate one of the richest periods of history of art. Fundacion March, Castello 77. Ends Jan 25.

Madrid. Woodner Collection. 125 drawings and first original sketches of masterpieces painted by Vasari, Botticelli, Leonardo da Vinci, Raphael, Rembrandt, Holbein, Carracci, Goya up to Picasso. Prado Museum, Paseo del Prado. Ends Jan 31.

VIENNA

Gold and Power – Spain in the new world: To mark the 500th anniversary of the discovery of the Americas, this huge exhibition of treasures from the Museum of America in Madrid tells the story of the Spanish conquest. The collection, seen for the first time outside Spain, includes ornaments and utensils of indigenous Americans, beautiful Mexican mother of pearl pictures of the blood-and-thunder of the conquest, records of Jesuit missions in Paraguay and stunning gold statues and jewellery from a land mythologised as El Dorado. Vienna is the first stop for this exhibition, which will later travel to Cologne and Budapest. Kunstlerhaus. Ends Jan 25.

NEW YORK

Metropolitan Museum: 80 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Anvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Anvers, where he committed suicide in July 1890. Ends March 22.

CHICAGO

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French King Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

American Pop Culture Images Today with works of 60 American artists the exhibition also features a live concert, videos, junk food corner and other aspects of the American pop culture since much has been grafted on to Japan's youth culture by now, the exhibition should reveal the extent to which the original has been changed for Japanese taste, i.e., japanised. La Foret Museum in Harajuku. (475 0411). Ends Jan 17.

Ukiyo-e Traditional Woodblock Prints: Special exhibition on theme of feminine beauty by artists from late Edo period to Meiji spanning nearly 400 years. Azabu Museum of Art, in Azabu Juban. (582 1857). Ends Jan 25. Closed Mondays.

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Telephone: 01-248 8000
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Why Guinness matters

THE CENTRAL issue raised by the Guinness affair concerns the conduct and ethics of the City of London. Although the full facts of the case have yet to emerge — in particular, who knew what, and when — it already seems clear that this is the most serious challenge the present system of self regulation in the conduct of takeover bids has had to face. With each revelation, the chances of business being allowed to continue as before grow ever more slim.

On the evidence available so far, it appears that the takeover battle for Distillers last year was not decided simply by the informed decision of a free market. Instead, the share price of one of the rivals bidders, Guinness, was manipulated by a group of interested parties, who received assurances that they would be compensated if the value of their shareholding declined. The effect of this support was to give shareholders in Distillers a misleading impression of the value of the Guinness offer.

Such action would certainly have violated the Takeover Code which, apart from its specific rules dealing with such matters, lays down as a general principle that all parties involved in a transaction must use every endeavour to prevent the creation of a false market. It also appears to have breached several sections of the Companies Act which, among other things, prohibits companies from giving any form of financial assistance to the purchasers of its own shares. So the question is not whether the rules need to be rewritten. Rather, it is whether the existing rules are capable of being enforced under the present supervisory regime.

Damaging implications

According to some of those involved, market manipulation during a takeover bid is commonplace. Cited in support of this claim is the case of the recent bid for AE which was frustrated (temporarily) when the company's advisers persuaded certain investors to hold the shares, on the assurance that they would be indemnified against any loss when they were eventually sold. If the system is indeed being abused on a regular basis in the way that is being suggested, then the sooner it is scrapped the better.

Senior City practitioners vehemently deny that such tactics are a regular part of takeover battles, and there is little evidence to suggest otherwise. But even accepting that the Distillers affair is a special case—some kind of aberration brought about during one of the UK's most expensive and bitterly fought battles — the affair still has very damaging implications.

Self regulation can only work if the people being supervised have a sense of obligation towards the system which is greater than their desire to win their own way in any particular case. The most serious challenges to the Takeover Panel in the past have come from outsiders — individuals or firms whose prime interest has not been to continue to do business in the City of London.

But consider the names of the institutions involved in the Guinness affair. Morgan Grenfell is one of the most important merchant banks in the UK, and is certainly the one with the most successful track record in takeovers. Also closely involved in the day to day management of the bid was a representative of Cazenove, probably the most respected stockbroking firm in the City, and of Freshfields, one of the top legal firms.

Public executions

The precise nature of this involvement is a matter for the Department of Trade's inspectors to establish. But it will not be sufficient to place the blame for what happened on one or two individuals. Institutions which want the benefits of self regulation have to be responsible for the framework in which it operates.

What could retrieve the situation? Some City voices are calling for public executions as a way of frightening takeover practioners back to the ways of virtue and of showing the world that the established order is capable of defending itself. But it may already be too late for such a rearguard action.

There is a clear public interest in the efficient running of the takeover market; through it is decided the control of large numbers of important companies. If there are shown to be serious shortcomings in the workings of the market, then the Government will have to intervene. At the very least, the Guinness affair will strengthen the arguments for the Takeover Panel to be included within the statutory framework alongside the Securities and Investments Board, a body which will have powers to investigate and prosecute. The balance between self regulation and statutory authority in the affairs of the City has been shifting rapidly over the past year, and the Guinness affair is likely to give it a further kick in the same direction.

A futile attempt at intervention

THE MASSIVE purchases of dollars by the Bundesbank and Bank of Japan in recent weeks seem a clear example of futile intervention on foreign exchange markets. Central bankers can sometimes hope to influence the markets, but only by reinforcing existing trends: dollar sales at the time of the Plaza agreement in 1985 were both sensible and successful because they depressed further a dollar that was already sinking. The recent intervention by West Germany and Japan however was an open defiance of market opinion and consequently has had very little effect. The dollar has fallen 9 per cent against the D-Mark and nearly 7 per cent against the yen in less than a month.

This latest decline of the dollar *no* doubt appears threatening in Bonn and Tokyo. Export industries in both countries were already under severe pressure and had hoped for a breathing space — time in which to adjust more fully to the previous large appreciation of their currencies. Mr Kiichi Miyazawa, the Japanese finance minister, is perhaps understandably annoyed that the yen stabilisation agreement he negotiated with Mr James Baker at the end of October has had such a short shelf like.

More damaging

Dollar decline may be inconvenient—particularly for a currency grid such as the European Monetary System—but that does not make it unnecessary. There are, after all, only three ways in which the US can tackle its still-widening trade deficit: through protection, recession or dollar depreciation. Both Japan and West Germany would surely agree that a serious trade war would be much more damaging in the long run than currency adjustment. An outright recession in the US, which would rapidly choke off US demand for foreign goods, would have potentially devastating consequences for growth and employment in the rest of the world:

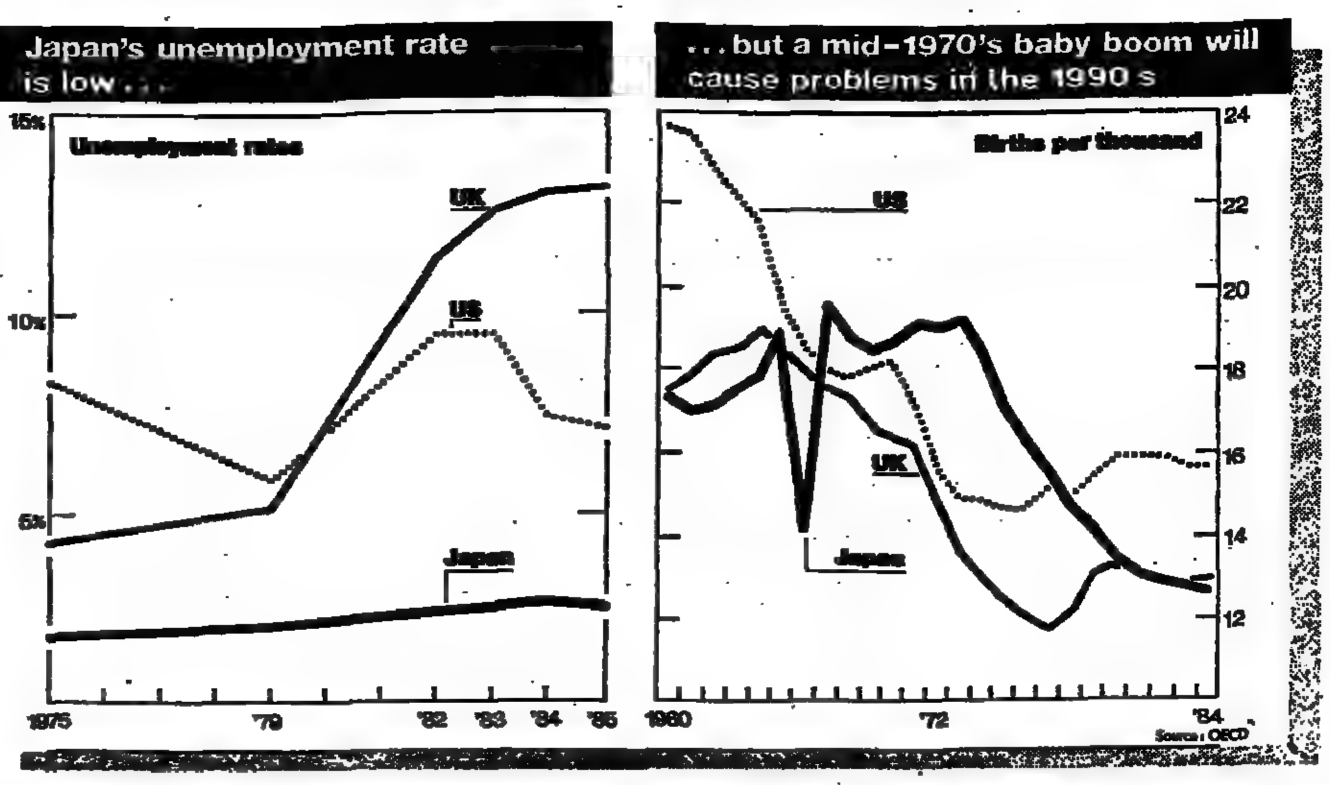
Since the alternatives are worse, dollar depreciation should be greeted with good grace. The need for it was underlined by the November US trade deficit which, at \$19.2bn against expectations of \$12bn-\$14bn, destroyed US hopes that the external account had begun to turn round in the third quarter of last year. Such hopes may have been based on calculations of international competitiveness which suggested the US had roughly restored the status quo of the early 1980s. The problem is that given the need to service its rapidly growing net external debt (which could be \$800bn by 1990), the rationing of imports in Latin America, and structural changes such as agricultural overcapacity, the US will not be able to balance its accounts without becoming super-competitive by the conventional yardsticks.

Domestic demand

Japan and West Germany are not, however, as powerless in the face of the declining dollar as their ineffectual foreign exchange intervention might suggest. America's trade gap has to be closed by a price adjustment only to the extent that it is not closed by a volume adjustment. If West Germany and Japan were prepared to loosen their fiscal policies and speed up growth in Europe and Asia respectively, US exporters' prospects would improve and the need for dollar devaluation would be somewhat reduced.

The worrying thing is that policymakers in Bonn and Tokyo do not seem to be responding rationally to the pressure on their own exporters from currency appreciation. If world growth is to be maintained during a year in which US fiscal policy must perforce tighten considerably, domestic demand must be boosted somewhere. The obvious place is in the surplus countries. The best way to interpret the turmoil on foreign exchange markets is as a vote of no confidence in Japanese and West German caution. It is the caution which is making a big fall in the dollar so necessary.

UNEMPLOYMENT IN JAPAN



Braced for the West's disease

By Ian Rodger in Tokyo

THE UNEMPLOYMENT scourge has finally struck Japan. For years, as Western countries have suffered an exodus of labour from manufacturing industry, Japan has stood apart, its less than 3 per cent unemployment rate suppressed in part by healthy economic growth but mainly by a paternalistic management culture.

But suddenly, Japan, too, is in trouble. Hardly a week goes by without at least one major manufacturing company declaring thousands of workers redundant.

"This is becoming a matter of grave concern," says Eishiro Saito, chairman of Keidanren, the powerful federation of business organisations. Mr Saito, who is also chairman of Nippon Steel, and many other industry leaders, believe the trend will accelerate because export-oriented industries will be unable to offset the damage to their sales caused by the high yen.

Meanwhile, the demand for jobs rises steadily as more women enter and stay in the market and as the children of Japan's delayed post-war baby boom begin to reach employment age.

As a result, some economists expect the unemployment rate to more than double to 6 per cent in the next couple of years and remain high for a long time.

That rate may not seem particularly high in Western terms, but it is a shocking development in a country where, until recently, unemployment was virtually non-existent and managers who resorted to redundancies to solve their problems were treated almost as social outcasts.

The Japanese have already set out to try and minimise their employment problem both in the short and long term. Typically, their approaches are different from those used in the West, but it remains to be seen whether or not they will be more effective.

Japan's recent rash of redundancy announcements has been widely attributed to the sharp rise of the yen in the past year, but that in itself is not the cause. Japanese manufacturers have suffered adverse turns in their circumstances in the past without resorting to large-scale redundancies.

Indeed, an outstanding feature of Japanese industry up to now, and one which has reflected the social unacceptability of lay-offs, has been its preference for stability in output and employment at the expense, when necessary, of profits.

The difference this time is that industrialists know that their terms of trade are unlikely to improve significantly in the near future. Thus, it becomes increasingly difficult to justify maintaining the large numbers of employees who do not actually do any work. Some estimates put the number of in-house unemployed in Japanese industry at over 2m, or 3 per cent of the workforce.

Companies like the electrical group Matsushita, which have a combination of growing and declining businesses, can usually manage to contain the unemployment problem through job transfers. "It is not yet a big problem for us," says Mr Akio Tanii, president of Matsushita. "But we feel we have to do something about it now. We are thinking carefully about the quantity of jobs likely to be available and the quality of the people we have to fill them."

Companies in mature and declining industries face a more urgent task. They can either maintain employment levels and suffer the gradual run-down of their financial reserves, or they can abandon paternalism and use their reserves to restructure their businesses for the future. The rash of redundancy announcements since September indicates the choice that most are making.

However, it would be wrong to equate redundancy with unemployment. One of the striking features of the recent redundancy announcements is the lengths to which Japanese employers, supported to some extent by the Government, will go to avoid actual sackings.

Typically, a large company will spread its redundancy programme over a number of years in a bid to achieve the maximum reduction through retirements, early retirements and resignations. Kobe Steel, for example, said last month that it would eliminate 6,000 jobs, but the process would not be complete until March 1989.

This lengthy adjustment period is not as generous as it first sounds. The typical Japanese worker's salary is made up of relatively low monthly payments, plus two bonuses, in June and December, each amounting to three months' pay. It has been generally accepted that when times are tough, bonuses become smaller, and that was certainly the case last year. Companies also reduce the costs of over-employment by cutting overtime and increasing the amount of work done by lower-paid part-time workers.

Another major strategy is to shift more middle-aged employees to subsidiaries. This is a peculiarly Japanese practice based on the fact that older employees, even when they know their promotion possibilities have been exhausted, tend to remain in the company until retirement. However, if a company wants to promote younger employees, it has to get rid of the older ones first. Often it does so by transferring them to easily managed subsidiaries whose profit performance can be sacrificed. Japanese workers are expected to accept their employers' proposals to shift them, even if it involves moving hundreds of miles to a new home.

Then there is the practice of leaning on business friends to hire redundant employees. Mutual obligation is a way of life in Japan, and Japanese businessmen say that a friendly client or supplier would do his best not to reject a plea for help, knowing that he has needed, or will need, help himself at some point.

Companies in mature industries are diversifying aggressively, partly in an attempt to create jobs for their redundant factory workers. Most of the big steel companies have started up subsidiaries in the electronics industry, although they often find that steelworks are unsuited for jobs there. Kawasaki Steel has taken a more practical route by starting up a security service company. Nissan Diesel, the truck maker, said last month it would branch out into temporary labour service, real estate management, house repairs, auto parts sales, special automobile interior design, leasing trading and procurement of goods and materials for other Nissan group firms.

As in other industrialised countries, the Government's main role in this apparently unavoidable process is providing some subsidy to employers who agree to maintain redundant employees.

In the medium term, however, there are a few relatively simple things that the Government could do that would make a big difference. For one thing, it could reduce the extraordinarily long working week. Japanese law allows for a 48-hour, six-day week, and nearly three-quarters of Japanese workers still actually work six days a week. Many agencies, including the Government's Central Labour Standard Council (CLSC), are campaigning aggressively for reductions.

Japan's service industries are in a mixed state. On the one hand, distribution and financial sectors are heavily overmanned, while others, such as data processing, are relatively underdeveloped. Service sectors provide less than 60 per cent of all jobs in Japan, whereas in the US, they provide about 70 per cent. Given the opportunity, many service industries, particularly those in information technologies, such as banking and data processing, could probably expand rapidly.

Looked at another way, the economy's overdependence on export-oriented manufacturing in the past few years has been a terrible drag on job creation. These industries have tended to increase their productivity at the expense of jobs. According to Bank of Japan figures, Japan created only a net 6m jobs between 1970 and 1985. Over the same period, the US, which has twice the population of Japan, created 26.4m.

The Government has been gradually introducing changes in its basic economic policies in the past year. Ironically, although these changes are designed mainly to reduce trade frictions by discouraging exports, moves like the deregulation of financial markets and the promotion of infrastructure development and other domestic demand-related industries will also create a lot of new jobs.

However, the task is enormous. The labour force is going to increase significantly in the next few years, partly because of the 1970s baby boom children entering the market, but also because of increasing longevity and greater participation by women in the labour force. By 1990, the population aged between 15 and 64 will be 86m compared with 78.8m in 1980, and the percentage of women seeking jobs is likely to continue increasing from its relatively low current level of 49 per cent.

There is also the problem, as in Western countries, of the growing mismatch between the market's demands and people's qualifications. The Government's Economic Planning Agency estimates that the surplus of blue collar workers could reach 3.2m by the end of the century, while the shortage of needed qualified specialists could reach 2.7m.

It all points to a significant increase in the number of people who are seeking jobs but cannot find them. And, at the moment, Japan is not ready for that. Life for unemployed people in Japan can be very difficult. The Government provides a reasonably generous unemployment insurance, up to 80 per cent of the latest wage received, for up to 300 days for people made redundant, but thereafter there is no welfare unless the person is handicapped or raising children.

Life is also likely to be tougher for those who remain in work. As redundancies mount, the lifetime employment guarantee, which is enjoyed by about a third of the labour force, is coming under increasing strain.

This system, which became widespread after the Second World War, is widely cited for its contribution to Japanese industry's harmonious industrial relations and high productivity. However, even before the current squeeze on jobs, it was coming to be regarded as a liability by many managers and workers.

Managers are frustrated with it because the system demands that salary increases only be made on the basis of seniority. Thus, it is difficult to motivate high-performing young employees.

"The point about the life employment system is the financial reward that comes with it," says Mr Taiichi Sakaiya, a former Ministry of International Trade and Industry planner and now a futurologist. "The average Japanese worker is more afraid of changing jobs than of being made redundant."

Changes have already begun to occur. Mitsui Bank recently attracted wide notice for trying to hire specialists i ntheir 30s, but most banks are having to follow suit because of the tight market in certain types of financial specialists.

Kobe Steel is changing its wage structure to one based on ability. Mr Masumi Sato, corporate planning director, says that increasing automation has taken the skill and experience factors out of many jobs, so the seniority system is no longer justified.

It is difficult to forecast the consequences of a more general undermining of the lifetime employment system. Some analysts say that Japanese workers will become more and more like Western workers, less motivated in their jobs and more interested in their leisure. Others suggest that, freed of the obligation to reward loyalty and seniority, companies will be able to put more emphasis on performance.

"We need this change," Mr Yohei Mimura, chairman of the giant Mitsubishi Corporation, says. "We want to be able to hire experts at any time, including foreign experts, in our companies."

But Mr Mimura quickly adds that the change has to come about slowly, with people given time to realise that it is coming and to adjust their lives in as dignified a way as possible.

That may be the way in Mitsubishi, but for many people in Japan, the employment problem in the next few years is likely to be at least as difficult to live with as it is in many Western countries.

Men and Matters

Power men bed down

Tony Malins, the man in charge of keeping Britain's lights and heaters on, was quietly confident yesterday as he showed me into the large, carpeted hall, with its computers, television sets and illuminated wall maps.

"There will be high demand for electricity again tonight but we are confident we can meet it in full," said Malins, manager of the centre where teams of engineers control the distribution and flow of electricity across snow-bound England and Wales.

It is housed an an anonymous-looking brick building in the warren of streets and warehouses behind the disused Bankside power station near London's Southwark Bridge.

Malins, who has been the control centre's manager since the beginning of the miners dispute at the end of 1983, praised the public spirit of his colleagues and their determination to keep the lights on. Although the centre has no proper sleeping facilities, several of them have been staying there overnight to ensure there are no breaks between the three shifts which operate it around the clock.

The senior control officer during yesterday afternoon's shift was the appropriately named Colin Snowball, a 46-year-old engineer from Bromley, Kent, who had been there since Tuesday night.

Snowball said this was the most severe cold spell he had experienced in his 19 years at the control centre.

More evidence of the power workers' determination to beat Jack Frost was seen at Kingsnorth power station, on the north Kent coast, where 100 men have been marooned since Sunday. The army has supplied them with blankets and there were plans yesterday to send in food by helicopter.

Reform on ice

Another casualty of the cold is a gala event planned to take place tomorrow at London's Wembley Conference Centre, when in the company of Neil Kinnock, Labour Party leader, Britain's largest union, the Transport and General Workers, was due to launch what the union sees as a major change in direction for British trade unionism.

The union had planned to start a campaign to try to increase trade union organisation among temporary and part-time workers, complete with a dedicated promotional video, TGWU flags flying outside, and even a special jingle composed and performed by the pop group, the Communards.

TGWU leaders are convinced that many of the union's members and officials would have struggled to the conference. But with the prospect of only partial coverage — representatives from Scotland, the south west and East Anglia, all seemed unlikely to attend — the union has taken the decision to cancel it.

Apart from the cost (the union will still have to pay the centre's rental charge for the day) TGWU leaders will have to sit down and work out when to launch the campaign again. And, how to rebuild momentum for something which involved an unusually high degree of pre-planning to try to take account of the drop in the union's membership—but which couldn't take prior account of the drop in temperature.

Highland fling

Any regular traveller on the London Number 15 bus should have realised long ago that there was money in the Distillers company.

Travelling down the Haymarket the upper deck passenger could look left into the mahogany panelled London offices of the Dewar, one of the great blends of Scotch whisky, and enjoy a fleeting glimpse of a Landseer painting of a noble stag — the Monarch of the Glen.

Dewar had long been part of the Distillers group — and Dewar House was just one of six comfortable seats of Scotch maintained by the company in central London.

It was all part of a noble marketing style which has found no place within the Guinness empire.

So yesterday Dewar House was sold for £8.3m to Peachey Property Corporation, and the Monarch is thought to be trotting towards the auction room.

As part of the "fixtures and fittings" he has done Guinness proud for he is estimated to be worth about £2m.

Markets probe

"The need for basic research is greater than ever before," said Professor Mervyn King, of the London School of Economics surveying yesterday the rapid changes in the City of London and the financial markets of New York and Tokyo. "Independent, rigorous academic analysis could help illuminate some of the difficult issues."

Financial establishments in the three cities have been quick to agree with his view. Nomura in Tokyo; Citibank and Salomon Brothers in New York; NatWest Investment Bank; 3I; and the Bank of England in London, are among the leading contributors to an initial £500,000 fund to support a four-year programme of research into the markets by LSE's economic department.

The project, one of the biggest ever launched by LSE, will be carried out by a ten strong group of researchers. It will be jointly directed by King, who taught at Cambridge and MIT before becoming Professor of economics at LSE in 1984, and by Charles Goodhart, Professor of money and banking at LSE since 1985, and formerly chief advisor on monetary policy to the Bank of England.

A Steering committee with members drawn from city institutions and headed by David Walker, executive director of the Bank of England will advise on the course of the programme.

King says the research will reflect two main themes; the global nature of the markets and their relationship with the real economy.

Some major areas of enquiry have been identified — the structure of the markets; their regulation, merger, and takeover activities; corporate finance; personal and institutional investment; and the taxation of income from capital.

The Houghton Street researchers—most of whom have worked abroad—have no intention of withdrawing into an academic shell, while they pursue their investigations during the next four years.

Their findings will be made known as widely and as quickly as possible through regular conferences, seminars, workshops, and briefings for financial journalists.

"Our research must be thorough — but we must also take account of the pace at which the markets are changing," King says.

In clink

One does try to be fair to the City — but they do get up to some tricks.

Here is Barclays Development Capital, the most profitable part of Barclays de Zoete Wedd, moving into new offices in, of all places, Clink Street, Southwark.

That's where the old debtors' prison used to be.

Solidarity

London's Soho is never at a loss to turn a situation to profit. During this week's big freeze a shopkeeper has had a notice in his window: "Frozen milk: 25p a pound."

Observer

ECONOMIC VIEWPOINT

Restraint without strategy

By Samuel Brittan

THE MOST interesting chart in the Public Expenditure White Paper is to be found, not in the volume I summary, but in the Additional Analyses in part II. The chart reproduced here shows not what the government hopes to do in the future, but what has actually happened to public spending while it has been in office.

If, in fact, the Thatcher Government ever hoped to cut total public spending, that aim was soon abandoned. Its first serious objective was to stabilise public expenditure in real terms, but that too proved impossible and the aim has shifted to keeping the growth of government expenditure below that of the national income, so that the public spending proportion could fall as national income grew.

Even this latest aim may be difficult to achieve. The ratio of general government expenditure to GDP was 43¼ per cent in the last Callaghan year of 1978-79. During the first Thatcher Government, public spending was swollen by the industrial and economic consequences of recession as well as by pledges to increase spending on the military and on "law and order." The public spending ratio soared to reach a peak of 47 per cent in 1982-83.

Since then the public spending ratio has fallen (but not, of course, public spending). The official estimate for 1986-87 is 44¼ per cent, excluding privatisation proceeds. But this is still slightly higher than the ratio the Labour Government left behind. Even if one believes the projections in the White Paper, the public spending ratio will not drop below the Callaghan level until 1988-89. And that depends on the Government's ability to reduce further the real growth of public spending over the next few years.

Scepticism is increased by the time profile which shows a rise of nearly 2 per cent next year, followed by a near standstill in the last two years of the planning period. This is a familiar hump-backed profile in public spending plans the world over, which tests credibility to the utmost.

Public spending has been under great pressure in all countries, irrespective of the political colour of governments. In the seven major OECD members combined, the public spending ratio rose by eight percentage points in the decade 1965-75 to 34 per cent. By 1975 there was general agreement to call a halt—again irrespective of politics—but with incomplete success. Nine years later the OECD ratio had risen another five and a half percentage points to 39½ per cent. (See *New Priorities in Public Spending*, edited by M. S. Levitt, just published by Gower.)

There is no cause for surprise. Like most governments, the Thatcher Government has not reduced the range of its responsibilities for social security, health or any of the large spending areas. The result is that it has to be as tight-fisted as possible simply to stay where it is. Thus the defenders of the welfare state see meanness and cheese-paring all round, while the radical Right feels it has been betrayed by the continuing rise in public spending and the pressures for still more.

There was a deeper problem too. The post-war policies had been based on the assumption of a limited, finite requirement for health services, education, pensions, social security and the like. In the 1960s and 1970s, increasing dissatisfaction was expressed with the level of such services, the need for which cannot be measured in the objective way that Beveridge had hoped.

The result was a polarisation of attitudes. One school advocated more state spending and another a much greater role for private provision. The attempt at a compromise or middle way between the two schools inevitably brought unsatisfactory results, with complaints of inadequate provision side-by-side with complaints about government overspending.

Health expenditure shows some of the difficulties. It is boosted by 0.7 per cent per annum simply by the changing age composition of the population, and by another 0.5 per cent by DHSS estimates of the cost of medical advance. This makes 1.2 per cent without taking into account the RPE.

The Thatcher Government, like others before it, did undertake a number of initiatives to improve efficiency in the public sector to get more "bangs per buck." But possibilities are limited (a) by the nature of some public sector activities; (b) by the resistance of bureaucracy and pressure groups and (c) by the natural and even justifiable tendency for cost savings—for example, in the running of hospitals—to be fed back into a higher level of basic provision.

The only two major areas where public spending has fallen since 1978-79 are housing, and trade and industry. The reduction in trade and industry reflects a welcome fall in subsidies to aerospace, shipbuilding and steel. But even more is accounted for by a plunge in the borrowing by the nationalised industries; part of which represents higher charges to the consumer to fulfil official targets for rates of return.

The fall in housing expenditure (gross of capital receipts from the sale of council houses) does partly reflect smaller local authority building programmes. The saving here has been offset by the growing cost of mortgage interest relief, which appears as a revenue loss. In any case housing expenditure is expected to stay level in the years ahead.

The enormous 39 per cent increase in real social security spending since 1978-79 reflects several factors:

- More retired people and pensioners.
- The large jump in unemployment
- Increased requirements for housing and family benefit to supplement low incomes
- Greater take-up of benefit rights
- Increase in most benefit rates, except child benefit, above inflation in the early part of the Thatcher period

Contrary to popular belief the increase in unemployment accounts for very much less than half of the total rise in the social security bill.

The DHSS expects these influences to come to an end. The official projection is for a plateau in social security spending between now and 1989-90. But I share the doubts of the National Institute authors about whether any government will be able to continue to link benefit levels only to inflation, while real earnings of those at work continue to rise fairly rapidly.

A real brake on this sector of spending would require much more selectivity, both in child benefits and eventually in retirement benefits, than the Government has so far had the courage to introduce.

The White Paper estimates that if the unemployment figure was 1m lower, benefit expenditure next year would be more than £2.1bn less. This does not show the full Exchequer benefit as it excludes the gain in tax revenue.

Such estimates are often misunderstood. They show that the Exchequer would gain if the economy operated at a lower unemployment rate. They do not show that it would pay the Government *on a narrow fiscal basis* to employ the jobless.

The White Paper gives the net Exchequer costs of various employment measures. Although it is much less than gross cost, it is always positive (with the exception of job-splitting which is objectionable on other grounds). By far the largest two items in "employment expenditure" are the Community Programme and the Youth Training Scheme. One wonders if it would not be more cost effective, as well as more humane and market related to make available cash to the youngsters, provided they spend it on something to do with training.

After the large increase in its spending in recent years, the Department of Employment is expected to keep to an unchanged real budget up to 1989-1990 and finance new schemes from the allocation. But I would be surprised, and disappointed, if it did not nevertheless receive more for the long-term unemployed.

Education did not figure among the big spending increases of the past eight years. It is expected to stay level up to 1989-90. But it is difficult to see this happening given the sacred cow status the subject has acquired.

Some of the most important calls on the Exchequer do not appear as public expenditure but as tax reliefs. Some of these, in the words of the White Paper, will often have a similar effect on individuals or companies to spending. But it is often difficult to say which reliefs are an integral part of the tax system and which are disguised benefits.

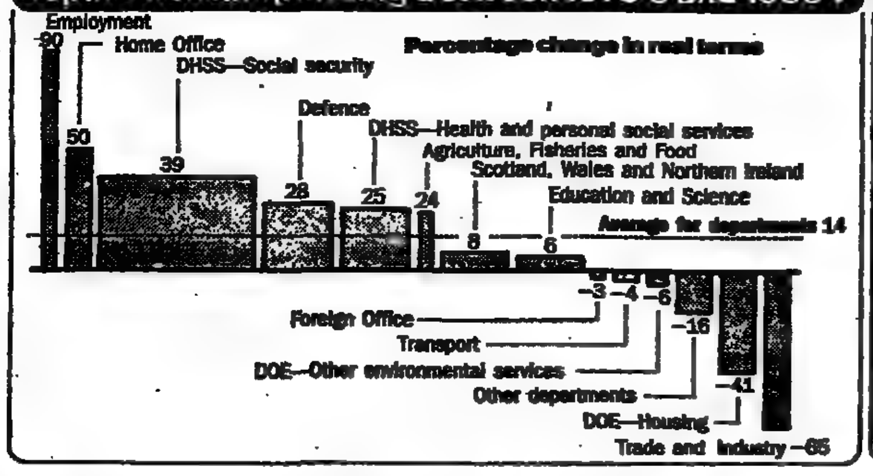
My own table is very selective. For instance I have excluded the £4.6bn cost of exempting from tax the investment income of pension funds, because one would not want to tax pension contributions and the funds' investment income. Similarly, I have omitted the £3bn cost of exempting residences from capital gains tax, which would have to go if we ever had a genuine Expenditure Tax.

A crude estimate suggests that the savings on mortgage interest relief and pension fund privileges, together with further cuts to industrial aid—out of place in a competitive economy — and in agricultural payments not required by the CAP, could finance a 25 per cent increase in all income-related total benefits and a cut to 25 per cent in the basic rate of income tax without the Chancellor having to give away revenue windfalls. The trade-off would take several years to complete; and there are interactions and complications.

But there are many interest group privileges, such as the derating of agriculture, of which no estimate is provided and which are not in the table.

We need fewer privileges, more selectivity and more generosity, all at the same time, to achieve a humane market economy.

Departmental spending between 1978 9 and 1986 7



A tax-benefit package

Deductions to abolish	£bn p.a.
Pension Fund Contributions	3.5
Retirement Annuity Premia	0.4
Lump Sum Retirement Payments	1.1
Mortgage Interest Relief	4.5
Total	9.5
Savings in Agricultural, Industrial Subsidies, etc.	1.5
Total Savings	11.0
Increases and Reliefs	
25 per cent Increase in income-related benefits	5.25
Basic Income Tax Rate reduced by 4p to 25p	5.80
Total Cost	11.05

* Figures are normally for 1986-87 or 1987-88

Lombard

Loose grip on the purse strings

By John Plender

FINANCIAL INSTITUTIONS invariably place a high premium on sound financial management in other people's affairs. But what about their own? The question is prompted less by the fracas at Morgan Grenfell than a more general phenomenon: the growing competitive pressure on banks, building societies, insurance companies and securities firms arising from deregulation in Britain and elsewhere.

It is not simply that profits will be harder to come by this year. Today's permissive attitude to financial conglomeration implies, by definition, that people are moving from areas that they know and understand into markets that are unfamiliar. Increased competition also breeds more hectic innovation, which in turn calls for skill in controlling new kinds of risk. In other words, deregulation is putting the financial sector's own financial management to the test. And if the accountants and management consultants are to be believed, many are ill-equipped for the task.

Consider first the structure of management in some of the most respected institutions. Only recently, for example, have the clearing banks started to appoint finance directors, and that with some nudging from the Bank of England. The finace director's job in some of the country's most aggressive merchant banks has been performed on a part-time basis by individuals who double up as corporate finance advisers.

In the securities business most market makers have a battle-hardened view of the importance of controlling market risk; but some former agency brokers who are now taking positions on their own account come from a culture in which financial management has been held in relatively low regard. As for the insurers, the actuarial profession has served their sector well in the past, but provides a narrow training for the brave new world of deregulated financial services.

Then there is the humdrum art of management accounting. The clearing banks have long been financial conglomerates, offering an unwieldy jumble of products and services. Yet for years their management reporting centred on their branches, instead of products and customers; and—like the merchant bankers who invested heavily in overheads before the Big Bang—they were slow to borrow from British industry well-tried techniques of establishing product costs and profitability. Asked whether their huge investment in cash dispensers shows a profit or loss, some bankers admit, sotto voce, that even today they do not know, but fear the worst. Nor has the logic of financial conglomeration, which rests on the attractions of cross-selling other products to existing customers, been reflected in integrated computer systems that reveal all about the client.

In fairness to the banks, the insurance companies are arguably no more sophisticated, while the building societies are starting virtually from scratch. Some societies are said still to be unaware of which of their branches are profitable: success in a mutually owned industry has been measured by the growth of overall deposit and loan totals and by press headlines. It was assumed that there was little need for sophisticated costing in a business with a small number of simple, low-risk products, operating in a benign regulatory environment. Yet these institutions are now moving into higher risk areas, though admittedly within tight limits laid down by legislation. Equally worrying, they are embarking on the huge management challenge of big mergers.

Ironically, some of those who advise these institutions on financial management suffer from the odd lacuna in their own back yard. The senior partner of one of the biggest accounting firms has admitted to me that despite the growth of non-audit services such as management consultancy, management reporting in his firm failed until very recently to identify the relative profitability (or otherwise) of the different activities.

The last link in the chain of financial control lies with the owners. Perhaps the big investment institutions' New Year's resolution should have been to suppress their instinct to give each other a peaceful life and ask probing questions about each other's financial management.

Letters to the Editor

EEC and high technology

From the Vice-President, Industry and Research, Commission of the European Communities

Sir,—I must take up some of the points made in your editorial (January 12).

The Commission is fully committed to the elimination of barriers to co-operation, investment and trade in high technology businesses. It is our experience, however, that this is not a substitute for co-operative R and D. The latter is an important adjunct to the former. If R and D is nationally orientated, so will be the standards, regulations and procurement policies. From this point of view Esprit, Race and Brite programmes have just begun their task and must be developed further during the coming years, which is why, *inter alia*, the Commission has proposed the new R and D framework.

In the same context I must take issue with you concerning Esprit. In addition to the 12 large companies you refer to, there are more than 230 firms participating in the programme. In particular, 150 of them are small and medium-sized companies, which all together participate in about 60 per cent of the on-going projects and therefore have equal access to the technology developed in these collaborative projects. The programme has been subject to an independent review from which it has emerged as a success, beyond what was expected from it. Results are already on hand, both in terms of technological developments and of industrial co-operation. In fact the discussions you refer to as an encouraging step (possible merger of Thomson and SGS Ates semiconductor activities) originated in Esprit.

Regarding telecommunications, I am surprised at the implication that harmonisation of telecommunications standards could somehow frustrate liberalisation of services. Most people would argue that common standards, in the public domain, are a precondition for market integration and liberalisation. Please allow me in this respect to pay tribute to the recent British presidency of the council which was instrumental in the adoption last month of a decision on standardisation for IT and telecommunications.

If we nip R and D in the bud at this early stage, then Europe's competitiveness in global markets will suffer. Furthermore, without fair access to new and advanced technology within the European technological community, liberalisation of public purchasing and consequently completion of the internal market itself will be jeopardised.

I insist that co-operative research is a significant instrument for both industrial co-operation in the public and private sectors and for market integration in general.

Karl-Heinz Narjes.
Brussels.

Co-operation in Europe

From Mr R. Sheaf

Sir,—All praise to you for your editorial (January 12) on European technological collaboration, with a devout wish that all concerned will heed your advice. Failure to do so would mean the final eclipse of Europe's influence in the world, and very probably of European independence in all but the most superficial meaning of the word. Economically we should become cripplingly dependent on the US and Japan.

You are of course right in saying that if the Common Market existed in full reality, cross - frontier collaboration would best be left simply to the enterprises concerned. Equally you realistically admit that this process is still blocked by protective national policies and by what you diagnose as "blinkered insularity" on the part of many of the high-tech enterprises themselves.

I can assure you that the Commission is well aware that its proposed Ecu 7.7bn budget is only a drop in the ocean of what needs doing. But, to adapt the metaphor, when wheels are not turning properly a drop can make all the difference—if it is a drop of oil. In that sense, Ecu 7.7bn is the smallest drop, the Commission believes, that can do the job.

You did not mention Eureka. This inter-governmental programme has made a good start but should not be seen as a substitute for EEC programmes. Many cross-frontier projects call for the services of a neutral middle-man or honest broker with adequate powers of initiative and subvention. Only the Commission can provide such services on the required scale, as well as offering the necessary broad strategic guidelines from a genuinely European point of view.

Looked at from another angle, Ecu 7.7bn is a fraction of the federal subsidies available in various forms to US technology, although the Americans do not have the same problem of a fragmented market.

Surely as an essential investment in our future the Ecu 7.7bn would repay itself many times over. To put this figure in perspective, the gross domestic product of the European Community in 1983 was Ecu 2,592bn.

Robert Sheaf.
Institute of European Trade and Technology,
Tavistock House South,
Tavistock Square WC1.

Icy winter patches

From Dr D. Robinson.

Sir,—Since my arrival in England in 1980, I have lived through a number of extremely cold and sometimes treacherously icy winter patches. The argument in this country seems to be that extreme temperatures are shortlived and do not warrant spending more money to cope with their (uncertain) occurrence. In your article, "Beating the freeze, a question of economics" (January 13) once again I was left with the impression that no-one had actually measured the full economic costs and benefits of spending more money on snow removal equipment, road-salt and gravel, better water drainage for houses, better heating in trains, hand-rails and various other devices that enable most of Northern Europe and North America to cope with cold, snowy weather. The analysis of course must include the social costs (for example lost output, higher NHS bills and council house repairs) as well as the intangible costs (such as human suffering) of not spending more money. Latest economic techniques allow at least some value to be placed on both types of cost.

Many people in the UK would, I think, argue that spending more money to deal with bad weather is simply not worth the expense and that nation and local governments have other more important priorities. That may be true. But at the very least it may be worth doing the sums. A benefit-cost analysis could well demonstrate that at least some further expenditure would be warranted, particularly in those areas where weather is especially bad.

David Robinson (Dr).
National Economic Research Associates,
18, Park Street, W.1.

Unemployed applicants

From Mr K. Tunstall

Sir,—I agree in principle with Michael Dixon (January 7) and I disagree heartily with Mr Leventhall (January 12).

The very sad fact is that the great majority of unemployed candidates do not compare well in interview with those in employment. This has nothing to do with basic abilities or competence. It is simply that after a couple of months on the dole they are so anxious for the job that they appear to lack the toughness for today's climate and the relaxed confidence necessary to be acepted into a working team.

Keith Tunstall.
Maple Down,
Woodland Way,
Weybridge, Surrey.

Brussels not a draw

From Mr B. Cassidy MEP

Sir,—Mr Michael Hutchings (January 9) surmises that one of the reasons why Britons are under-represented in the senior grades of officials working in the European Commission is that UK civil servants regard Brussels as a backward step in their careers. I am reliably informed that civil servants who have returned to the UK after a spell in Brussels have done rather well in the promotion stakes.

Mr Hutchings, however, does highlight a problem of growing concern — the apparent reluctance of young Britons to take the public examination for entry to the administrative grades of the Commission service. It can't be the pay and conditions in Brussels which are not inviting enough. EEC civil servants do better than British civil servants. A far more likely reason for their reluctance is the requirement that applicants for EEC jobs should be able to work in more than one Community language. Regrettably, the British educational system still attaches insufficient importance to language teaching. Thank - goodness the Government plans to do something about it.

Bryan Cassidy.
The Stables,
White Cliff Gardens,
Blandford, Dorset.

The great divide

From Mr G. Atkinson

Sir, — Accountancy and recruitment consultancy are both close companions and growth service industries. As such they mirror the north-south divide in employment opportunities.

Out of 96 UK-based jobs on offer in the January 8 accountancy appointments 54 were in London, 20 in East Anglia and the rest of south-east England, and eight in Bristol and the south-west. Of the remaining 14, just one was in Wales and one in Scotland. Out of the 78 recruiters—some appear many times—61 were London-based and only five outside the Home Counties.

George Atkinson.
3 Romeland, St Albans, Herts.

FINANCIAL TIMES

Thursday January 15 1987

Philip Stephens in London examines exchange rate philosophies

Markets strike back with a vengeance

THE TURMOIL in international currency trading over the last few weeks should perhaps be dubbed "the market strikes back."

Central banks, accustomed since September 1985's Plaza accord on the dollar to calling the shots, have found themselves overwhelmed by the strength of speculative pressure in the foreign exchange markets.

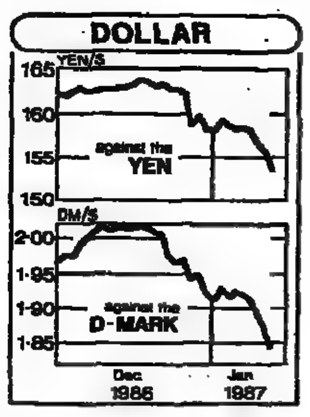
Nearly $20bn of intervention was not enough to prevent a politically-embarassing realignment of the European Monetary System (EMS) just two weeks before West Germany's general elections.

Now the continuing flood of funds out of the dollar has left the once-enviable reputations of the Bank of Japan and the Bundesbank, the West German central bank, for catching the markets on the wrong foot looking distinctly faded.

In the process, the US currency's accelerating decline since mid-December appears to have fractured the so-called Baker-Miyazawa pact between the US and Japan, just when European governments were thinking in terms of a similar deal.

The central banks insist they have not given in. Mr Satoshi Sumita, the governor of the Bank of Japan, warned yesterday that the estimated $10bn or so the central bank had bought over recent weeks to support the dollar was not the end of the story. West Germany's Bundesbank may also be waiting for the right moment to launch a counter-attack.

But there is no disguising the anxiety and sense of frustration among European and Japanese officials at the extent and speed of the dollar's latest decline. In Tokyo it is seen as severely damaging the Government's declared intention of strengthening domestic demand and restructuring its economy.



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Mr James Baker

In Bonn and Frankfurt it is viewed as a source of renewed strains on the EMS and friction with France, and of unwelcome pressure to cut interest rates when West Germany's money supply is running way above its target.

The speculation against the US currency has been blamed on a number of factors – President Reagan's weakened authority after the Iran arms scandal, and the prospect that Mr Paul Volcker will not be reappointed as chairman of the Federal Reserve are among them.

The problem for the central banks is that the underlying pressures are much more fundamental – they derive from the prospect that the US current account deficit will remain well over $100bn for the foreseeable future unless the dollar falls further.

"We are in the peculiar situation of trying to halt a trend which we all see as inevitable", is how one senior European monetary official put it yesterday. "We know the dollar has to fall. We just do not want to see it happen too fast".

Mr James Baker, the US Treasury Secretary, who is clearly still irritated by West Germany's reluctance to stimulate its economy and alarmed by the widening US trade gap, appears more anxious to get at least part of the shift over with now.

The central banks, intervening to brake the dollar's decline, are thus swimming against the tide of fundamental pressures – a complete turnround from the position after the Plaza accord.

Mr Baker cannot be displeased at the evidence that every pfennig the dollar loses against the D-Mark ratchets up the pressure on West Germany to reach some sort of accord with the US after its January 25 elections.

The problem is that the Bundesbank's room for manoeuvre has been circumscribed by the massive intervention needed before last weekend's EMS realignment. At the same time, the dollar's steep fall against the yen – in spite of Baker-Miyazawa – has caused strong doubts in Europe about the value of a deal with Washington.

For the Bundesbank, the immediate problem is the money supply, currently growing at an annual 8 per cent and boosted by around DM 160bn by the fruitless intervention to preserve parities in the EMS.

the dollar's weakness has meant that virtually none of this money has flowed back out of D-Marks since the realignment, leaving the West German central bank with little hope of getting the money supply back within its 3 to 6 per cent target range.

So while international considerations – the need to hold up the dollar's value and restore balance in the EMS – point to an early cut in the West German discount rate, domestic monetary policy suggests that the Bundesbank should hold off.

Meanwhile, any intervention to support the dollar simply adds to the growth of the money supply.

Mr Karl Otto Poehl, the Bundesbank president, may eventually take the view that a cut in the discount rate is unavoidable and that it could help to ease both problems at once. By making the D-Mark less attractive to speculators it might help stabilise the dollar and reverse the direction of capital flows, in turn slowing the growth of the money supply.

Whether such a move would work, or whether it could form part of a wider US-European deal, however, must now be open to doubt.

"What the last few days has shown is that the Baker-Miyazawa pact was not worth the paper it was written on", one European official said yesterday. "It is not at all clear that the US is willing to stabilise the dollar."

THE LEX COLUMN

Last days in the bunker

The rolling of heads under the Guinness guillotine yesterday afternoon has scarcely put an end to the affair. Apart from the dismissal of Mr Saunders, the decision to ask for two other resignations appears strongly to confirm suspicions that directors were implicated in various forms of share-price manipulation; the statement from Bank Leu leaves little room for doubt on that score, even though Guinness has yet to say anything of substance about the evidence given by Mr Olivier Roux to the inspectors.

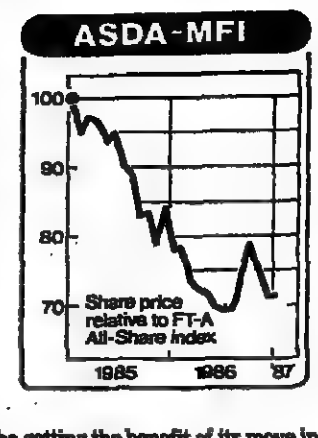
The shoring up of Guinness against further shocks has been carried a little further forward by some shuffling of professional advisers. The company is cosmetically distanced from the criminal law aspect of the affair by dropping the forensic services of Sir David Napley. But bringing in additional brokers – James Capel – to prop up the advice previously received from Cazenove may have more serious implications; it has not previously been thought necessary to add a belt to the best pair of braces in the City.

Until the board reports definitively on its review of the company's affairs, there will be few who have the bottle to regard the shakiness of Guinness's share price as much of a buying opportunity. The difficulty of framing a successful action against Guinness is considerable, but it is a fair bet that, if a set of accounts had to be drawn up tomorrow, the board would feel obliged to put in a distinctly off-putting note about contingent liabilities, just for safety's sake.

Asda-MFI

Having got so much right in the Seventies, Asda and MFI seem, severally and jointly, to have spent much of the Eighties getting things wrong. A set of interim results like yesterday's gives the stock market very little handle on the group's super-tanker efforts to change course. The figures – showing pre-tax profits up 12.7 per cent to £86.1m – were not especially bad or much out of line with most forecasts. But the shares fell 8p to 154p for the lack of something to push them up.

The Asda chain itself appears to be getting the benefit of its move into own-label goods which now make up 20 per cent of food sales. That is, at least, the most obvious cause of the gain in net margins to over 5 per cent, where they are up with the best in the industry. Sales growth is still sluggish. The maturity profile of the stores has sagged, in a slow phase of the development programme. So the volume growth from existing stores has gone rather dull, at only 1.4 per cent in the half year.



Revamps of older stores should get volume moving again and the opening programme has accelerated. But it will not be until April 1988 that the store portfolio will be in competitive shape again. Meanwhile development costs will be hefty, especially if Asda is forced to pay up for sites, and capital spending in the current year will be £300m, nearly double the previous year's. At the same time the whole distribution system is to be reorganised, something else that Asda should have done some years ago. When completed, that should produce all sorts of efficiencies, as will Epos checkouts.

But Asda expects that food retailers will have saturated the UK market by 1995. The need for diversification outside food was the logic behind the MFI deal and it is as well that Asda-MFI has sufficient time, before food-saturation day, to get that right. Again, short term results are being held back by the price of tuning the formula.

A stock market, rightly or wrongly fixated on short term performance, will not put much of a multiple on unproved potential. Though pre-tax profits of £185m or more this year (up from £166.4m) give a lowly prospective p/e of 13, it will take a surprise to change that short term.

Dixons

The dullness of Dixons' share price since it failed to absorb Woolworth in the summer is, if nothing else, a testimony to the absence of jiggery-pokery (notwithstanding strange tales about microphones concealed under sundials, and the like). Indeed, the shares have respectably held the bulk of the gains that they made in the early part of last year, when the benefits of taking over Currys were becoming apparent – and the thought of another bid to follow through that advantage was seen as a reason to re-rate the shares.

What has happened since then is more or less what might have been expected. The growth that can be got out of merely Dixonising the Currys chain is obviously beginning to taper off; sales per foot grew faster at Currys in the 28 week period to November than they did in Dixons, but not by all that much. Margins, too, are catching up with the Dixons standard – but again the astounding improvements from first-year integration cannot be repeated.

The growth in Dixons' retail profit is nevertheless impressive, with a 33 per cent improvement over last year's down-stated £22.1m; as often happens, a virtuous move to break out profits from trading the Currys' property book has dealt Dixons the incidental benefit of a lower base from which to demonstrate growth.

What happens next will depend partly on the performance of Woolworth – a small extraordinary item for the carrying cost of Dixons' stake serves to remind the market that Dixons has a launching pad from which to spring if Woolworth falters. There is, that apart, some pressure on Dixons to do something; as profit growth approximates more closely to sales growth, and with a falling prospective multiple, the chance to use its paper on some relatively underpriced asset may slowly pass Dixons by.

Soviet aim is more than propaganda

Continued from Page 1

likely to divide the four countries supporting the guerrillas: Pakistan, the US, China and Iran. Indeed, the whole package announced by Mr Najibullah on January 1 appears to have been drawn up with Pakistan largely in mind. The closure of the Pakistan border to the guerrillas is the real *quid pro quo* for the withdrawal of Soviet troops.

In theory Mr Najibullah is offering to share power in Kabul but, given the fragility of his own authority, it looks doubtful if he really means to go much beyond the co-opting of tribal leaders and some former guerrillas, a process which is already going on.

If power is to be shared in Afghanistan, it is more likely to be on a geographical basis than on dividing authority within the central organs of the state, the army and the police.

Asked what would happen on the ground after today, a senior Soviet specialist on Afghanistan said in Moscow: "If there is a village controlled by anti-government forces they will stay there."

He added that in the past central Government never controlled much of the country outside the cities and towns. "When the king ruled Afghanistan he simply announced that part of the people defended the border themselves and paid no taxes."

Much of the present Soviet-inspired campaign by Mr Najibullah "to broaden the social base of the revolution" has already meant co-opting or placating local tribal leaders. In addition Afghanistan is about to become the first communist country where Islam is to be declared the country's official religion under a new constitution.

If the ceasefire is to lead to a political settlement and a military withdrawal by the Soviets then the Soviets appear quite willing to see a weak government led by Mr Najibullah holding Kabul and the main towns while the anti-government forces, without giving up their arms, hold all the areas in between.

Pressure mounts on UK ministers over Guinness

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

PRESSURE on the British Government to make a full parliamentary statement over the Guinness affair is increasing amid growing disquiet on both sides of the House of Commons.

Mr Michael Howard, Under-Secretary for Corporate and Consumer Affairs, yesterday reaffirmed his refusal to issue an interim report on Guinness. He said in a written answer to Parliament that he had consulted the inspectors he had appointed and they had agreed "that preparation of an interim report at this stage would impede their investigation".

However, he said that the question would be "kept under review".

Mr Robin Cook, the opposition Labour Party's Trade Spokesman, who asked the question, said he was encouraged that Mr Howard had "not slammed the door tight shut on an interim report". He expected that "the pressure of events would force it wide open."

Mr Cook had earlier pressed for a Commons statement on the floor of the House. He argued that, while the board of Guinness had received a full report and Prime Minister Margaret Thatcher had been briefed, "the only interested body not to be favoured with a statement is Parliament. The affair was the biggest City scandal for decades, involving a slush fund large enough to double the fuel payments to pensioners".

Mr Cook is today expected to renew his call for a statement.

Most Conservative Party Members of Parliament who are interested agree with the Government's line but are concerned about the rumours and allegations, circulating in Parliament as much as in the City, about the involvement of first-rank organisations like Morgan Grenfell and Cazenove in the affair.

The general Conservative view is that City scandals may have only a limited electoral effect but that they could tarnish the Government's image, despite its tough line.

A number of Conservative MPs who have been closely following legislation on City regulation believe that the inevitable, if not necessarily desirable, result will be a strengthening of statutory supervision of financial markets.

Mr Howard said in a further Parliamentary answer yesterday that he did not propose to publish reports by inspectors appointed under Section 177 of the Financial Services Act. This would apply to the current inquiry into share dealing by Mr Geoffrey Collier, the former securities chief of Morgan Grenfell.

Mr Howard said that "such reports are akin to reports made by the police to the Director of Public Prosecutions, rather than to reports by inspectors appointed under the Companies Act." The latter are generally published.

The purpose of the former, Mr Howard said, is to advise the Trade and Industry Secretary whether any individual appears to have contravened the Company Securities (Insider Dealing) Act and to assist him in deciding whether to institute criminal proceedings.

"If an individual is prosecuted, the substance of the inspectors' report will be disclosed in open court. Conversely, individuals who are not prosecuted are entitled to have their involvement in an investigation kept confidential," he said.

Curbs urged on executive power

BY DAVID LASCELLES IN LONDON

THE BANK of England is pressing for new measures to prevent the chief executives of public companies from concentrating too much power in their own hands.

The call for the measures, which could result in a new code of practice for industry and the City of London, comes amid the Guinness controversy where accusations of excessive power have been levelled against Mr Ernest Saunders, the former chairman and chief executive who was forced to step aside last week.

The Bank's aim is to urge companies to appoint more non-executive directors (NEDs) to their boards. These would be outsiders chosen to balance and check the power of the executive directors and the management.

The code would lay down a minimum number of non-executive directors, probably three, and require that they constitute between 30 per cent and 40 per cent of the board. It would also introduce the US concept of audit committees: special watchdog bodies composed entirely of non-executive directors whose responsibility would be to oversee the management and ensure that the company had effective controls.

The code would be drawn up by Pro-NED, an organisation set up in 1981 by the Bank, City and industrial trade associations and the London Stock Exchange, to promote the use of non-executive directors. The code would be voluntary, but companies would be under strong moral pressure to adopt it.

The Bank expects the initiative to cause controversy because it will challenge some entrenched management interests. However, research into the experience of the US, where non-executive directors account for more than half company board membership, persuaded the bank of the effectiveness of an active outside presence in the boardroom.

The Bank has been working on the idea of a code for some time. However, the plan has been given added impetus by the Guinness case. During last year's Thomas Risk affair, when Mr Saunders went back on pledges given during the takeover for Distillers, Guinness was persuaded to accept five non-executive directors on its 15-member board as a check on management. The non-executive directors appear to have played a leading role in dealing with Guinness' mounting crisis, by persuading Mr Saunders to step down and in unearthing the facts.

The bank believes, because of this, that the Guinness affair re-inforces the argument for more non-executive directors.

Digital doubles profits to $270m

By Anatole Kaletsky in New York

DIGITAL Equipment Corporation, the recently revitalised US computer manufacturer whose new generation of minicomputers have been making large gains in market share throughout the world, yesterday announced a doubling of profits and a continuation of rapid revenue growth.

In the quarter ended December 27, the second quarter of the company's fiscal year, the company's net profits jumped to $270m from $136m the year before, while total revenues advanced by 24 per cent from $1.86bn to $2.27bn. The doubling of profits, which followed an even bigger increase during the company's first quarter, was well ahead of many analysts' – bullish expectations.

The company's share price, a star performer for most of the past year on Wall Street, rose a further $4¾ to $123¾ on the announcement.

The key to Digital's success at a time when other computer manufacturers have been languishing, including worldwide market leader International Business Machines (IBM), appears to lie in the new product line which it has unveiled since the middle of 1985.

Since a sharp downturn in its fortunes in the early 1980s, Digital has concentrated entirely on minicomputers, machines which span the range of the market between the highly competitive micro and personal computers and the most powerful mainframes, whose production continues to be dominated by IBM. With its Vax range of minicomputers, the company has established market leadership in this business, which has turned out to be the fastest growing segment of the computer market.

The company's net earnings for the six months to December were $453m on turnover of $4.3bn, against $208m on turnover of $3.5bn in the previous year. On a per share basis, the company's latest quarterly earnings were $2.02 compared with $1.08 in the December quarter of 1985.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	12	54	Dubrovnik	C	13	55	Malta	—	—	—	Rhodes	C	16	61
Algiers	C	8	46	Edinburgh	Sn	0	32	Manchester	Sn	-2	28	Rio de J'o	S	30	86
Amsterdam	S	-10	14	Faro	F	9	48	Manila	S	31	88	Rome	C	14	57
Athens	S	18	64	Florence	R	6	43	Melbourne	S	22	72	Salzburg	F	-11	12
Bahrain	S	18	64	Frankfurt	S	-8	18	Mexico City	S	25	77	San Francisco	S	6	43
Bangkok	S	30	86	Funchal	C	—	—	Miami	S	11	52	Seoul	S	-3	27
Barcelona	F	3	37	Geneva	—	—	—	Milan	Sn	-2	28	Singapore	S	27	81
Beirut	S	18	64	Gibraltar	S	8	46	Montreal	C	-5	23	Stockholm	C	-14	7
Belfast	Sn	-1	30	Glasgow	Sn	0	32	Moscow	—	-11	12	Strasbourg	S	-8	18
Belgrade	C	-2	28	Guernsey	Sn	-3	27	Munich	S	-13	9	Sydney	F	31	88
Berlin	S	-14	7	Helsinki	C	-14	7	Nairobi	S	27	81	Taipei	S	18	64
Biarritz	Sn	-2	28	H. Kong	S	17	63	Naples	R	16	61	Tangier	S	14	57
Bombay	S	28	82	Innsbruck	F	-8	18	Nassau	S	23	73	Tel Aviv	S	19	66
Bordeaux	S	-5	3	Inverness	Sn	-3	27	New Delhi	C	23	74	Tenerife	R	18	64
Brussels	S	-4	30	Islamabad	S	20	68	New York	—	—	—	Tokyo	S	7	45
Budapest	C	-8	18	Istanbul	C	15	59	Nice	R	6	43	Toronto	S	1	34
B. Aires	R	30	86	Jakarta	R	30	86	Nicosia	S	17	63	Tunis	S	16	61
Cairo	S	20	68	Jersey	Sn	-1	30	Oporto	F	1	34	Valencia	S	5	41
Cape Town	S	22	72	Jo'burg	F	26	79	Oslo	C	-11	12	Venice	R	1	34
Caracas	C	24	75	Lima	C	26	79	Paris	Sn	-6	21	Vienna	C	-5	24
Casablanca	C	11	52	Lisbon	C	14	57	Peking	C	2	36	Warsaw	S	-15	5
Chicago	S	2	36	London	Sn	-2	28	Prague	S	-19	-2	Washington	F	2	36
Cologne	S	-5	23	Los Angeles	C	11	52	Reykjavik	F	3	37	Zurich	—	—	—
Copenhagen	C	-12	10	Luxembourg	S	-7	19								
Corfu	S	16	61	Madrid	S	5	41								
Dallas	—	—	—	Majorca	C	5	41								
Dublin	Sn	-2	28	Malaga	S	8	46								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Dollar declines further

Continued from Page 1

early Group of Five (G5) meeting will have to be held to arrest current developments in the foreign exchange market as it is becoming clearer that central bank intervention to support the dollar without the cooperation of the US authorities is ineffective. However, there appears to be a yawning policy gap between the central banks of the G5 countries and their governments.

Another heavy bout of dollar purchases by the Bank of Japan in Tokyo yesterday again had no impact.

Mr Satoshi Sumita, Governor of the Japanese central bank, reiterated yesterday that he was determined to halt the yen's latest rise. He said intervention could not always be effective, but that the central bank would intervene persistently to try to alter market trends.

The Japanese authorities face growing pressure from domestic industry, which is labouring under the impact of the rising yen.

West German policy-makers face an equally awkward dilemma. The surging D-Mark threatens renewed strain within the European Monetary System as well as a further squeeze on German exporters.

But intervention to support the dollar inflates German money supply, already growing well above target, and was cited by officials as one of the main factors weighing against lower interest rates.

Developments on foreign exchange markets were discussed at a regular board meeting of the Bundesbank, the German central bank,

UK public spending plans

Continued from Page 1

projected to be well above previous targets.

Most of the additional cash provided for in the White Paper will be disbursed by local authorities, or is the result of increased provision for demand-led services such as social security benefits, over which the Treasury has no direct control.

The spending plans were attacked by the opposition Labour party on a number of fronts. Mr Denzil Davies, Labour's defence spokesman, said that the Government was planning cuts of £1bn in defence over the next three years, "giving the lie" to its claims to be interested in the defence of Britain.

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Due to continued expansion and a major refurbishment programme, a Senior Accountant is sought for a national chain of retail stores catering for the rapidly changing, young fashion market. As a member of the senior accounting management team, the incumbent will have direct responsibility for cash flow forecasting and management, and the continued development and improvement of the manual/computerised Head Office systems. In addition, the Cash and Sales, Cashiers, Imports and Bought Ledger Departments, incorporating approximately 40 staff, will report to this position.

Applicants should be qualified accountants and it is unlikely that candidates under the age of 30 will have the commercial experience required. Well developed management skills and a flexible approach are prerequisites for consideration to join this leading U.K. retail group.

Written applications, enclosing up-to-date curriculum vitae, should be submitted in strict confidence to Eric Sutton or Colin Vasey at our London address quoting reference No. 1040/7361.

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The following are a selection of the General Appointments that appeared yesterday

- Young Bankers
- Pension Fund Administration Manager
- Private Client Executives
- Assistant Director Retail Broking
- Deputy Treasurer
- Banking Operations Manager
- Corporate Dealer
- Foreign Exchange Dealer
- Manager — Corporate Finance
- Deputy Treasurer
- Credit Insurance
- Investment Analyst
- Senior Consultants
- Business Analyst/Raters

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

INTERNATIONAL APPOINTMENTS

Montedison makes executive changes

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals, health care and financial services group, has reshuffled several senior executives in its main holding company and in chemicals, retailing and energy subsidiaries.

Mr Howard Harris, a 44-year-old American who has been a member of Montedison's executive committee in Milan and who directed group strategy from 1982 to 1985, has been appointed managing director of Ausimont Compo, the US specialty chemicals subsidiary, which is quoted on the New York Stock Exchange.

Mr Harris, whose past career has included stints at Mobil Italia and at Arthur D. Little, was the most senior foreigner recruited in the early 1980s by an Italian company.

Mr Carlo Vannini, chairman of Montedison's Selm energy subsidiary, has taken the place of Mr Harris in the Montedison executive committee.

Mr Giancarlo Cimoli, currently managing director of Montefibre, has meanwhile been appointed as the new managing director of Selm. The 48-year-old Mr Cimoli, a trained chemical engineer, has worked in the past for Snia Viscosa.

Mr Giuseppe Bencini, managing director of Snia BPD, has been recruited by Montedison to become the new managing director at Montefibre. Mr Bencini, who is 50-years-old, is a graduate in mechanical engineering from the University of Bologna.

Mr Cesare Vaciago, a 41-year-old native of Turin who has worked for Olivetti and is presently in charge of industrial relations for the Montedison group, has been named vice-president for strategy at Standa, the Montedison retail chain which is being used as a springboard for the group's move into the marketing of consumer financial services.

Promotions at Phelps Dodge

PHELPS DODGE Corporation, New York, the country's largest copper producer, has promoted three senior executives. Mr Leonard R. Judd and Mr Douglas C. Yearley have been elected executive vice presidents, and Mr Edson L. Foster has been elected senior vice president. Mr Judd and Mr Yearley have also been elected to the board. The elections represent a realignment of Phelps Dodge senior management to reflect the retirement on February 1 of Mr George B. Munroe as chairman and chief executive officer, when he will be succeeded by Mr G. Robert Durham, Phelps Dodge president.

Senior aerospace post at McDonnell Douglas

MR JAMES E. WORSHAM has been promoted to corporate vice president-aerospace group executive at McDonnell Douglas, St Louis, with responsibility for the corporation's Douglas Aircraft Company division and its McDonnell Douglas-Canada subsidiary.

Mr William T. Gross, executive vice president of the Douglas division, will replace Mr Worsham as president of Douglas Aircraft, and the responsibilities of Mr Robert C. Little, as corporate vice president-aerospace group executive, have been expanded. The promotions will be effective from February 2.

Mr Robert L. Johnson will retire as corporate vice president-aerospace group executive, on January 30.

McDonnell Douglas Astronautics Company, which formerly reported to Mr Johnson, now will report to Mr Little, who also is responsible for McDonnell Aircraft Company in St Louis and McDonnell Douglas Helicopter Company in Mesa, Arizona.

Inco succession plan

IN ANTICIPATION of the retirement of Mr Charles F. Baird, chairman and chief executive officer, in September of this year, the board of Inco, Toronto, has announced the following succession plan: Mr Baird will relinquish the post of chief executive officer following the annual meeting on April 22. It is planned that he will continue as chairman until September 30 when he will have reached the mandatory retirement age of 65. Under the plan, Mr Donald J. Phillips, president and chief operating officer, will become president and chief executive officer following the annual meeting. On October 1, he will assume the additional post of chairman of the board. Mr I. David Balchin has been elected as an executive vice-president from March 1. Mr Balchin, group managing director of Inco Engineered Products in Europe, will become responsible for alloys and engineered products businesses world-wide.

Merrill moves

MERRILL LYNCH & CO, New York, has appointed Mr Ken Miller, currently head of mergers, acquisitions and leveraged buyouts, to the post of vice chairman of the capital markets unit.

His successor as head of the mergers and acquisitions department will be Mr Jeffrey Berenson, currently a managing director in the department.

The appointment of the 44-year-old Miller, who has just ended a particularly successful year as head of mergers and acquisitions, is stated to reflect Merrill Lynch's growing commitment to that area particularly those transactions in which the company invests large amounts of its own capital.

Reorganisation at troubled Wedtech

THE THREE top officers of Wedtech Corporation have resigned and been replaced in a management reorganisation at the troubled defence contractor.

Wedtech, which last month filed for protection from creditor lawsuits under the US federal Bankruptcy Code, said its board accepted the resignations of Mr Fred Neuberger, chairman and chief executive officer; Mr Mario Moreno, vice chairman; and Mr Anthony Guariglia, president and chief operating officer. Mr Alfred Rivera, a director, also resigned.

General Richard E. Cavazos, a retired US Army officer, and a Wedtech director and consultant, has been appointed the company's new chairman. Mr Joseph H. Felter Jnr., formerly a Wedtech senior vice president, was named president, chief executiveand a director. Mr Samuel B. Davis III, an oil-industry consultant who once was chief financial officer of Ashland Oil Company, becomes vice-chairman.

Wedtech is being investigated by US Federal and State prosecutors on its procurement of no-bid government contracts. Last month, Wedtech dismissed most of its staff and filed a petition under Chapter 11 of the Bankruptcy Code.

Laventhal and Horwath will become the company's independent auditors and will review all of Wedtech's accounting systems and internal controls. The firm replaces Touche, Ross and Co., which has resigned.

In other changes, Mr Howard R. Kegley, formerly a Wedtech senior vice president, was made executive vice president, chief operating officer and a director. Other directors appointed with General Cavazos, Mr Felter and Mr Davis were Mr Edward P. Bond, an accountant, and Mr Mihai Soiman, vice president of the engine development division.

*

Comex chief

COMMODITY EXCHANGE INC, of New York, has appointed Mr Alan J. Brody, chairman and chief executive from mid-March, to succeed Mr Irving Redel.

Mr Brody, 34, has been president and chief executive of Comex since 1981. He was previously Comex vice president and chief legal officer.

His new appointment follows a decision by the exchange last June to create the post of a full-time, salaried chairman. Previously, Comex members have elected a chairman from their ranks to serve a one-year term. There is with the appointment of Mr Brody, no fixed term of office.

Comex claims the appointment of a full-time salaried chairmanship as a breakthrough in commodities industry structure.

Accountancy Appointments

The most dynamic Accountancy firm in Corporate Finance is seeking Managers—

Our London based Corporate Finance Group was one of the first to be established within a firm of Chartered Accountants. Our experience is held in high regard by those who ought to know. And we've doubled in size during the last two years alone.

As a result, we wish to recruit Managers who match the following profile.

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Your future with us will include an unusually wide and interesting range of work. You'll deal with full and overseas listings, share placings, and flotations on both the USM and the new Third Market. You'll raise venture capital, establish overseas companies in London, conduct corporate valuations, formulate and organise management buy-outs, and provide general financial advice to businesses in just about every field you can name.

On a more personal note, you'll be exceptionally able and a fluent communicator. You'll enjoy the City. You'll work hard under pressure and come back for more.

We'll provide up to £30,000 and an appropriate car. Together with a significant step on the road towards partnership.

For further information send a full cv, including salary history, to: Tony Herron, Partner in Charge of Corporate Finance.

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To persuade us you can meet most of these criteria send your CV including current salary to: Roger Hardacre, Executive Selection Division. We will help you realise your potential.

PEAT MARWICK
Peat, Marwick, Mitchell & Co.,
Century House, 7 Tib Lane, Manchester M2 6DS.

Chief Accountant

South London — To £25,000 + car

Our client – very much a household name – operates profitably in the fragrance and cosmetics sector, generating a turnover of £20 million through the manufacture and marketing of a sizeable range of high-quality products.

The need is for a Chief Accountant with the evident potential for promotion to the Board. Although the focus of the role is on Financial Accounting, the brief also covers Costing, Credit Control and Treasury. Key tasks will be the rationalisation of existing systems, the development of new procedures and the improvement of existing computerised functions.

Candidates must be qualified accountants with extensive experience of Financial Accounting, ideally but not necessarily in a light manufacturing environment. The preferred age-range is 28-40 and the ability to speak French would be an asset.

Applications, please, in confidence, quoting Ref 287/1 to S. C. Mackay at Charles Barker MSI, 30 Farringdon Street, London EC4A 4EA. Tel: 01-634 1143.

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In this high profile post you will report to the Financial Director on all aspects of the performance of the overseas operations. You will be responsible for agreeing operating budgets and forecasts with overseas management, prior to you making a presentation to the UK board and also provide guidance and advice to the overseas subsidiaries. There will be a requirement to travel regularly to both the USA and Europe.

You should be an ambitious and energetic qualified accountant with the ability to think quickly and clearly. You must also be able to demonstrate well developed communication skills.

Age: 35-45.

Remuneration: up to £35,000 plus a car and other benefits.

Location: Central London.

Please write in confidence to John Walker (ref. 122).

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70 Finsbury Pavement London EC2A 1SX

Internal Auditor

Integral role in International Banking
City base
c£26,000 + car + banking benefits

This established and enterprising European bank is now poised to increase its UK activities and wishes to strengthen its internal audit function.

Reporting to the General Manager, the person appointed will be responsible for the operation of an internal audit department which will critically examine the operational and financial systems and procedures used throughout the London branch.

In addition, integration and some operational responsibility, particularly in treasury business, will be given at an early stage making the appointment an outstanding career opportunity in the banking sector.

Ideally, candidates will be aged around 26-35, qualified accountants with significant internal or external auditing experience in the banking sector. He or she must be independently minded, with a positive approach to internal audit, and ambitious enough to see the potential of this position.

Future career progression may be outside the internal audit function.

Candidates should send a full CV quoting reference MCS/3015 to:
Tracey Phillips
Executive Selection Division
Price Waterhouse
Management Consultants
1 London Bridge
London SE1 9QL

Price Waterhouse

GROUP FINANCIAL CONTROLLER

Central London — up to £25,000 + Car

OUR CLIENT is a vigorous specialist multiple retailer and distributor expanding rapidly as the leader in a growth market sector.

THE REQUIREMENT is for a qualified accountant to take full responsibility for all aspects of financial control, reporting to a demanding and energetic Board. An affinity with retail and distribution, a mature approach and the ability to liaise with staff at all levels are considered essential.

THE ROLE calls for the total management of the Financial and Accounting Function through a fully hands-on approach. Key areas will include financial and management accounting, cash flow and budgetary preparation and reporting together with the ability to contribute to the Group's already planned development into sophisticated computer systems.

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Please write in complete confidence to the Managing Director quoting Ref 145A.

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Controller

Excellent progression potential

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c £25,000 + car + benefits

This well established and prestigious financial institution is seeking a senior Accountant to play a key role in its operation and future development.

In addition to statutory and management accounting responsibilities, key tasks will include active participation in a major integrated computerisation project and the day-to-day management of a department of 25 people.

Candidates should be qualified accountants (ideally Chartered) with around 5 years' post qualifying experience, which need not necessarily be in the financial sector. Staff management experience and computer literacy are essential, as is the desire to become actively involved in the organisation's development.

Salary will not be a limiting factor for the right candidate and other benefits will include car, non-contributory pension and life assurance, subsidised BUPA and low-cost mortgage scheme.

Please send a comprehensive CV together with salary details and quoting reference MCS/4002 to Miles Holford
Executive Selection Division
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Management Consultants
No 1 London Bridge
London SE1 9QL

Price Waterhouse

FINANCIAL CONTROLLER

INTERNATIONAL REINSURANCE

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A leading reinsurance company, part of a major US based financial services group, has recently reorganised its financial operations under the leadership of a new chief executive. This attractive opportunity for a young qualified accountant has arisen as a result.

Reporting to the Chief Financial Officer and liaising with other senior financial management, the Controller will be heavily involved in cash management and other treasury work. He or she will manage a small team of cashiers and credit controllers and provide professional accounting support to the Technical Accounts Director. There are clear opportunities for significant promotion within the department.

Candidates should have a strong personal interest in treasury and investment matters. Specific experience in the insurance sector will be useful but not essential. Personal confidence and flexibility are highly regarded in the organisation, which currently employs around 80 people in prestigious new offices in the heart of the City.

To apply, please send full career details with a covering letter highlighting the relevance of your background and giving your current salary and quoting reference 6718/L to Mike Smith, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
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Finance Director (designate)

UK headquarters of US multinational

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Following the promotion of the Finance Director to a wider business management role, the company now wishes to appoint a Financial Controller capable of becoming Finance Director within a year. Initial responsibility, through a staff of about 60, will be for the management and continued development of all financial operations and the maintenance of very high disciplines and standards — facilitated by highly sophisticated computerised systems.

The requirement is for a graduate aged 32-37 who is a qualified accountant with US parent company reporting experience and familiarity with manufacturing or process industries. As you would expect, strong management and communication skills are also essential, as are the drive for achievement supported by confidence, credibility and persuasiveness.

Initially, please write to **Larry Botheras**, enclosing a CV together with details of recent salary progression, at **Macmillan Davies, Salisbury House, Bluecoats, Hertford, Herts. SG14 1PU. Tel (0992) 552552.**

Macmillan Davies
INTERNATIONAL SEARCH EXECUTIVE

INTERNATIONAL AUDIT MANAGEMENT

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We are looking for a self-motivated and ambitious qualified accountant with a major professional firm background, and with subsequent experience in internal audit in a management role within a large commercial/industrial environment. This is an excellent opportunity to gain in-depth knowledge of the Cable and Wireless Group of companies, which should lead to further management opportunities within the Group.

The salary will be individually tailored to attract the best, and benefits include: a company car, BUPA and overseas travel allowance. Generous re-location assistance will also be given if appropriate.

To arrange an early interview, please send your CV to: Recruitment Manager, Cable and Wireless plc, Mercury House, Theobalds Road, London WC1X 8RX.

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Telephone: 404 4581

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For further details, please contact:
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Successful North London printing group are poised for further expansion. Crucial to plans is a need to recruit an Accountant capable of taking full responsibility for the company's finance function.

Initial tasks will primarily concern production of statutory accounts, management reports for directors and the development of systems including further computerisation.

Successful performance of the above functions will lead to closer involvement in management of company, with directorship prospects envisaged. Although strongly growth/profit motivated company style is relaxed and candidates must be able to achieve a similar balance.

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Demanding role for qualified accountant with at least 3 years PQE under 35 with commercial experience.
The position advertised is in a rapidly expanding group of companies involved mainly in the lighting industry.
Progression to group financial director is anticipated and the successful candidate must be capable of implementing the necessary financial controls to facilitate the continued expansion and profitability of the group. A flotation on the USM is being considered by the directors and therefore candidates should preferably have large firm experience.

Write with full cv to:
A. J. Day FCA
MENZIES MIDDLETON HAWKINS & CO.,
Ashby House, 64 High Street, Walton-on-Thames,
Surrey, KT12 1BW

Union Texas Petroleum

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LONDON

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This is a challenging role in a dynamic environment in prestigious offices in Knightsbridge.

To be a candidate, you should be over 28 years of age, and at least two years of your experience should have been gained in industry, preferably in the UK-based office of a multinational oil company. Familiarity with computer based accounting systems is essential and experience in the use of personal computers would be an advantage.

The company offers a very attractive remuneration package including fully expensed company car, medical insurance, pension scheme, and a base salary pitched at a level to attract the right candidate.

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Accountancy Appointments

Accountancy Appointments

Accountancy Appointments

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Closing date for applications 29th January 1987.

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Nationwide Building Society

Financial controller

West of London, c£30,000 + car

This extremely challenging position is at the centre of a successful and expanding construction group. Growth in all core activities will see turnover next year soar to over £65 million with ambitious plans promising exciting times into the 1990's. The reality is that growth of the magnitude they are anticipating will need careful control and monitoring and in this key position you can play an important part in its achievement.

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You will be a qualified accountant, probably aged in your 30's. Whilst it is likely you will have experience at the centre of a plc — ideally in a major construction group — you could alternatively perhaps be a high flyer in the profession seeking a fast track entry into industry. Whatever your background, high level qualities of self-reliance, perception and decisiveness are indispensable in addition to considerable scope for personal advancement in a group where a flotation is not too far away.

Résumés please, including a daytime telephone number, to John Sanderson Watts, Ref. SW620.

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ACCOUNTANCY
The Journal of the Institute of Chartered Accountants in England and Wales
seeks a

FEATURES EDITOR

The candidate, who must be a chartered accountant and should preferably be a graduate, will be expected to demonstrate:

i) a knowledge of, and interest in accounting and auditing, standards, taxation, finance and management;

ii) writing talent; and

iii) ability to deal with people at a high level.

He/she will be expected to demonstrate up-to-date technical knowledge coupled with sound experience either gained with a professional firm of some substance or in an industrial/ commercial environment.

Applications, which should include a curriculum vitae, should be addressed to: Mr B. Weston, Personnel Manager, The Institute of Chartered Accountants in England and Wales, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ.

Accountancy

TEMPS ACCOUNTS TEMPS
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Accounting Assignment

No age barrier

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A sufficiently attractive total compensation package will be discussed at interview.

Please write with full CV and quoting reference MCS/4003 to Miles Holford
Executive Selection Division
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London SE1 9QL

Price Waterhouse

Financial Controller

North West Essex — **to £25,000+Car**

Our client is a subsidiary of the world's leading manufacturer of technical components. A $800 million U.S. Multi-national, renowned for a prestigious product base, it has embarked on an ambitious investment plan for further expansion within Europe, which includes the establishment of a profitable U.K. subsidiary. They now wish to appoint a Financial Controller to be based at the company's headquarters in North West Essex.

This new position has responsibility for:—

- Setting up the Finance and Administration functions including EDP systems.
- Budgeting, Planning and Forecasting.
- Preparation of financial/management reports for U.S. and local management.
- Provision of financial/commercial advice to Operational management.

Applicants should be qualified accountants, aged 28-35, and should be able to demonstrate a successful track record at senior management level within a progressive environment.

A positive, intelligent "hands on" approach and strong business acumen are the key personal characteristics required for this high profile role.

Prospects for promotion throughout the Group are excellent. Interested applicants should contact Peter Ward ACMA on 01-831 2000 or write to him enclosing a C.V. quoting ref. 2081 at 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller

Cambridge — **c£25,000 plus car**

Our client, Domino Printing Sciences plc, is a highly successful quoted company and Europe's leading innovator and supplier of ink jet printing systems based on micro technology; over 70% of output is exported. Rapid growth and future expansion plans now necessitate the recruitment of a Financial Controller for the UK operation.

Reporting to the Group Financial Director, the successful candidate will be an integral part of the young dynamic management team. Key tasks will include the development of computerised management accounts, asset management, business planning and budgeting, performance reviews and statutory accounts.

Applications are invited from ambitious, highly motivated qualified accountants (age indicator 28-35), who will be attracted by excellent career prospects and the chance to make a major contribution to the company. Excellent communication skills and the ability to relate to people at all levels is essential.

The excellent remuneration package will include an attractive bonus, executive car, contributory pension and relocation assistance if considered necessary.

If you meet these requirements please send a comprehensive curriculum vitae, and a daytime telephone number to Andrew Sales FCCA, quoting reference LM43 to Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

Systems Accountant

major financial group

Berkshire — **to £25,000 + mortgage etc**

A substantial division of one of the largest and most influential financial groups, our client is developing a highly sophisticated range of computer systems which will enable it to capitalise on its dominant position and provide further flexibility in a changing market.

As part of the overall systems strategy an accountant is sought to strengthen a multi discipline team reviewing all financial and administrative systems. The initial short term objective of this project is the preparation of a management report based on a broad analysis of systems and controls. The appointee will play a key role in this and in defining the scope and plans for the more detailed work of the subsequent stage to be undertaken by his or her subordinates.

Applicants should be qualified accountants aged mid 20s/early 30s with systems review and, preferably, computer audit experience and the ability to work with management and staff of all disciplines.

Future accounting and systems prospects are extensive, both within this division and the group.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/548/RF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

APPOINTMENTS
ADVERTISING
Rate £43 per single column centimetre

ASSISTANT TO FINANCE DIRECTOR

REINSURANCE BROKING

City — **c.£24,000 plus car**

The Finance Director of our client, a medium-sized and expanding Lloyd's general reinsurance broker with other interests, requires assistance in the running of a busy accounting and administration department.

Responsibilities will include the production of financial and management accounts for the board, together with treasury management and all aspects of the administration of a small group of companies. There is scope for improving the use of the company's computer facilities and for general staff development.

This position provides excellent experience for a young chartered accountant wishing to move into the insurance industry or to obtain more responsibility with another broker.

Please send brief personal and career details to Douglas G Mizon quoting reference F727M at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

E&W Ernst & Whinney

Ambitious Accountant

Salary: Negotiable. Gt. Manchester.
+ Car + Relocation

A rapidly expanding plc requires a qualified accountant with an emphasis on commercial awareness.

The main task will be to introduce and administer reporting and accounting systems for the holding company and major subsidiaries. Involvement will also be required in budgeting, forecasting and controlling costs and investments in the group. Rewards will be exceptional for the candidate who is prepared to work hard, long hours and be totally flexible.

Please reply in confidence enclosing a full c.v. write box A0378, Financial Times, 10 Cannon Street, London, EC4P 4BY.

CHARTERED ACCOUNTANT

The Numerical Algorithms Group Ltd. (NAG) develops quality numerical and statistical software for distribution throughout the world.

We are seeking a qualified Chartered Accountant to join our expanding Central Office in Oxford.

The person employed must be able to demonstrate high standards of accuracy and efficiency in this varied and industrious position. The appointee will report directly to senior management with administrative responsibility for the Finance Group ensuring smooth and efficient running at all times. Enthusiasm and adaptability are considered as essential as professional skills.

The accounts are produced using C.S.D. Fincon software on DES VAX/VMS equipment; experience of a computerised accounts system would be an advantage.

The position is a permanent, pensionable (U.S.S.) appointment.

The salary will be in the range of £15,545 to £17,540 for a minimum 37.5 hours per week with generous holiday entitlement.

Closing date for applications: 6 February, 1987.

For further details on the above post, please contact:

The Administrator
NUMERICAL ALGORITHMS GROUP LTD
Mayfield House
256 Banbury Road
OXFORD OX2 7DE
Tel: Oxford (0865) 511245

NAG NUMERICAL ALGORITHMS GROUP

Accountancy Appointments

General Appointments appear every Wednesday

Accountancy Appointments

Financial Controller

London **c.£30,000+car**

Our client is a privately owned investment Group employing 600 people. It has assets in excess of £75m. invested in a broad spectrum of activities which include property development and investment, farming and forestry, entertainment and leisure operations.

Reporting to the entrepreneurial Chairman, you will be responsible for exercising strict financial control over the Group and its subsidiary and associated companies. You will be supported by a small team at the head office.

Aged around 30, you will be a Chartered Accountant with experience in a large professional firm and preferably line accounting experience in industry/commerce. You must have good interpersonal skills and be able to fit into a small headquarters environment.

The appointment is based in Central London and you will be expected to visit all subsidiary and associated companies.

Please send a detailed c.v., including contact telephone numbers, in strict confidence to George F. Cross at Management Appointments Limited, (Search and Selection Consultants),
Finland House, 56 Haymarket,
London SW1Y 4RN.
Tel: (01) 930 6314.

MAL
Management Appointments Limited

Financial controller

N. London, c£25,000+car

C&L

For a U.K. operating subsidiary of a major U.S. corporation supplying a broad range of products for the home and family, with the activities of the U.K. company being concentrated in the kitchen and bathroom products sector.

Reporting directly to the Managing Director, you will have total responsibility for the financial function. In addition to the production of regular management information and responsibility for such critical areas as credit control, cash flow and foreign exchange, you will be expected to play a leading part in the commercial direction of the company.

A qualified accountant, probably in your early thirties, you should have a minimum of three years' experience in a small to medium sized sales orientated company and with experience of managing staff. A self starter, you should have a strong commercial leaning, be accustomed to hard work and have the ability to work well in a team.

Résumés including a daytime telephone number to Torrance Smith, Ref. TS639.

Coopers & Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited

Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

Appointments Advertising

£43 per single column centimetre. Premium positions will be charged £52 per single column centimetre.

For further information call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Financial Directors

We are looking for high calibre Financial Directors for two of our client's manufacturing subsidiaries.

Birmingham **To £25,000 + car**

This well known company wants to modernise its financial systems. It requires a Financial Director who has the drive and enthusiasm to make substantial changes.

You must be a qualified accountant who has gained good manufacturing experience, preferably in engineering. Good technical and communicating skills are essential, as is a strong personality.

Nottingham **To £25,000 + car**

The growth of this company needs the support of an excellent Financial Director.

You must be a qualified accountant who has had good manufacturing experience and is able to provide excellent technical skills. A strong personality and plenty of enthusiasm will be essential.

Both appointments have excellent career prospects and generous remuneration packages. If you are interested in either of these appointments, telephone Stuart Adamson or Andrew Nicholson on 0532 451212 or send your CV to Adamson & Partners, 10 Lisbon Square, Leeds LS1 4LY.

ADAMSON & PARTNERS LTD.

Executive Search and Selection

Deputy Group Taxation Manager

Central London **c£20,000**

A market leader in the worldwide communications field our client is a dynamic and successful company which puts taxation at the forefront of its commercial decision-making.

As part of their recent impressive expansion they are seeking to recruit a deputy taxation manager into a rapidly growing department. This will include exposure to both UK and International compliance and planning matters.

This offers an excellent opportunity for an ambitious young accountant with two years' corporate tax experience to gain valuable commercial experience.

Candidates will possess strong interpersonal skills and be able to act with initiative, enthusiasm and show leadership qualities.

For further information please contact Chris Nelson on 01-831 2000 (evenings and weekends on 01-785 6545) or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller

North East England **to £25,000 + Car**

This multi million pound turnover consumer durable manufacturing company is a progressive and positively managed subsidiary of a large Plc. An outstanding opportunity has arisen for a practical, high calibre qualified accountant to join the senior management team at a challenging time where planned growth will require a substantial commitment. Existing systems and controls are being reviewed and developed to provide a dynamic management with immediate meaningful and accurate information. Applicants should preferably be over 30 and have previous experience of financial management in a manufacturing environment. Even more important however, will be commercial acumen, the ability to assume a high level of responsibility and an appreciation of marketing consumer products on both a national and international scale.

If you feel you meet the requirements outlined please send full career and personal details to:

John L Overton FCA, Managing Director, Overton Management Selection, 3 Berkeley Square, London W1X 5HG, or telephone 01-408 1401 for an application form quoting reference 10/1174.

OVERTON MANAGEMENT SELECTION

APPLICATIONS ARE WELCOMED FROM MEN AND WOMEN

Divisional Finance Director

Surrey **c£30,000 + car**

Our client is one of the principal divisions of a major public group. Operating on a very wide geographical base, the division consists of four main businesses in the service sector, aimed primarily at the offshore/marine industries. There is now an immediate requirement for an experienced Chartered Accountant to take the senior financial management role.

As a member of the executive team, you will report to the Divisional Managing Director and have responsibility for a small department. Each of the operating units is self-accounting with its own financial officer. This demanding environment is highly capital intensive and calls for considerable commercial input in the form of a creative attitude towards the financing of assets as well as the ability to provide an expert appraisal of potential business development and acquisitions.

The successful candidate will preferably have qualified with a 'big 8' firm and will have had at least five years' subsequent experience in a commercial environment including international treasury and tax planning. Interpersonal and man-management skills will be extremely important in view of the variety of direct and functional reporting relationships and contacts at all levels. Personal qualities will combine a professional approach with energy, enthusiasm and imagination.

Interested applicants should write to Nigel Bates FCA, Executive Division, enclosing a comprehensive CV and daytime telephone number at 39-41 Parker Street, London WC2B 5LH quoting ref. 376.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

EUROPEAN INVESTIGATIONS

ACA aged 25-30 **neg. to £23,000**

Based in WEST LONDON, our client is a US MULTI-NATIONAL with worldwide turnover of $1,500m.

It is envisaged that in 1987 the current EUROPEAN turnover of £300m will expand significantly primarily by acquisition and is targeted ultimately at 50% of WORLDWIDE TURNOVER!

Extensive EUROPEAN travel demands at the very least a good working knowledge of GERMAN and/or FRENCH, in that order of preference.

The successful candidate should be hard-working but sociable as a SENSE OF HUMOUR helps establish fast rapport at all levels.

Due to close liaison with SENIOR U.S. MANAGEMENT, 4-6 weeks each year is spent in the UNITED STATES at CORPORATE HEADQUARTERS.

Career prospects in this fast-expanding corporation are ABSOLUTELY FIRST CLASS, e.g. a member of the team was recently promoted right hand man to the VICE-PRESIDENT OF EUROPEAN OPERATIONS!

Please telephone and send your c.v. to:
GEORGE D. MAXWELL, Managing Director
ACCOUNTANCY APPOINTMENTS EUROPE
1-3 Mortimer Street, London W1
Tel: 01-580 7739/7695 (direct)
01-637 5277 ext. 281/282

Accountancy Appointments Europe

Operational Review

City Based ***to £22,000 + Car***

Our client, with considerable overseas interests, are making a new appointment to update the management reporting function. They seek a talented Chartered Accountant, 27/32, with the flair to undertake the following duties, with the prospect of promotion into line management within 2 years.

- Special projects; acquisitions & Disposals
- Review of Capital Projects
- Advise management on operational procedures
- Assist in development of group review
- Balance sheet review
- Liaison with Group Auditors

There will be the additional attraction of travel within the UK and to Australia, New Zealand, Japan and the States.

If you match these requirements and have the capacity to succeed you are invited to contact R. J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
123/4 Newgate Street, London, EC1A 7AA. Tel: 01 600 8387

FINANCE DIRECTOR SHEFFIELD

NEEPSEND plc wishes to appoint a qualified Accountant as Group Finance Director to immediately succeed the present Finance Director who is relinquishing executive duties. The post will also include the role of Company Secretary.

The Neepsend group consists of eight autonomous subsidiaries in the Sheffield/North Derbyshire area and three companies in Canada. The combined turnover is £20m the main activities being engineering, tool production and metal processing.

Following a period of retrenchment the Group is planning to grow both organically and by acquisition and a challenging future is envisaged.

Ideal candidates will be commercially orientated and experienced in corporate fund raising, city liaison, acquisition negotiations, etc., as well as internal financial control in manufacturing industry, data processing and secretarial practice. Persons under 35 are unlikely to have had the necessary experience.

An attractive remuneration package and relocation expenses will be offered.

Please apply with curriculum vitae to:

The Chairman
NEEPSEND plc
Lancaster Street, Sheffield S3 8AQ

Accountancy Appointments

Appointments Advertising

£43 per single column centimetre. Premium positions will be charged £52 per single column centimetre.

For further information call:

Daniel Berry 01-248 4782

Emma Cox 01-236 3769

Finance Director

South Yorkshire c. £26,000

Our client is a young and ambitious company manufacturing and distributing aluminium extrusions to the construction industry. They are seeking a Finance Director, who will set up and lead a newly independent accounting function.

Reporting to the Chairman and a key member of the senior management team, the executive will have additional responsibility for company secretarial duties. Ideal candidates will be chartered accountants in their mid thirties. They must have had several years experience managing a similar operation, and be competent to manage financial and management accounts, budgets and treasury. Equally important is the personality and presence to lead and motivate staff and represent the company to bankers and investors.

A salary of c. £26,000 plus a company car, pension and benefits are offered.

Please write, enclosing details of your career to date to John Cornish, (Ref. 3001), March Consulting Group, 12 Sheet Street, Windsor, Berkshire SL4 1BG.

MARCH
CONSULTING GROUP

turn change into progress

Lilly

Eli Lilly and Company is a truly international organisation with net sales of $3,300 million annually. We are one of the world's leading research based pharmaceutical companies with employees working in more than 70 countries and currently employing around 3,000 in the UK alone. Our interests cover many aspects of the Health Care industry.

Our commitment to growth and innovation is foremost not only in our products but also in the quality of people who work for us.

We are looking to employ achievers, dedicated to high levels of enthusiasm and integrity, with a view to attaining excellence.

Our Financial group at Basingstoke is no exception. Following recent UK rationalisation the importance of such individuals who wish to progress their career is greater than ever.

Treasury Taxation Manager
£20-24k

Tax planning for the UK Group is in the context of a multi-national environment; and liaison with US taxation personnel is frequent. It follows that, in addition to cash management of our multiple UK business units, the treasury role ranges from multinational currency clearing to the construction and development of international banking relationships.

You'll be a Chartered Accountant with up to 3 years' post-qualification experience gained in a public practice; from which you're likely to have become something of a specialist in the field of company taxation. It's also essential that you have first class interpersonal and presentation skills. But in return we'll provide all the international bias you need. Ref: AYS138.

Financial Analyst
£14-17k

As a recently qualified accountant and an effective communicator your main role will be to fulfil the budgeting, reporting and accounting requirements of the UK Group Management as well as the European Head Office in London. Ref: BYS138.

Financial Accountant
£14-17k

This job offers total involvement in financial systems. Recently qualified, you will play a key role in the improvement and development of current systems and in the implementation of new financial procedures. Ref: CYS138.

We offer an attractive range of benefits including non-contributory pension and life assurance schemes, subsidised BUPA and generous assistance with relocation to Basingstoke where necessary.

So, if you're considering your next career move, and a real opportunity for progression, turn change into progress by telephoning our Consultant, Terry Kennedy, on 0784 39103 (day) or Egham 33396 (evenings), for a confidential but informal discussion.

Alternatively, send your C.V. to him at Austin Knight Selection, Knightway House, Band Lane, Egham, Surrey TW20 9NX, quoting the appropriate reference number.

Financial Controller

£30,000 + package
London

Having sustained enviable growth in the extremely competitive holiday travel market, one of the world's largest travel groups finds the need to strengthen its executive management by the appointment of a Financial Controller to report to the Finance Director.

This is a new demanding role for a *young qualified accountant who will* assume responsibility for the financial accounting functions together with the development of systems to maximise financial control of the company, including the overseas operations.

To match this demand you will need to be chartered with 5 years experience in a senior accounting role. Demonstration of strong financial discipline combined with experience of developing computerised financial systems will also be sought.

The company outlook is young and fast moving, it is likely that suitable candidates will be in the age range 28-35 and be keen on business management.

An attractive remuneration package includes a salary of £30k, plus car, BUPA membership and generous holiday travel concessions.

If you feel you can meet this exciting challenge please send a CV quoting reference: MCS/5077 detailing your current salary and career overview to:
Barrie Whitaker
Executive Selection Division
Price Waterhouse
Management Consultants
1 London Bridge
London, SE1 9QL

Price Waterhouse

Financial Controller/ Director Designate

Thames Valley to £30,000 + car + benefits

Our client is an aggressively expanding company involved in the *manufacture and marketing of speciality chemicals.* The main UK operating subsidiary of this multinational is seeking a Financial Controller who will ultimately assume the responsibilities of Financial Director for the Group.

Reporting to the Managing Director, you will have overall control of the financial function and play a major role in co-ordinating, focussing and controlling the business activities and strategies necessary to achieve continued growth. You will assume responsibility for the production of timely and effective management information and the DP function.

A graduate accountant (ACA/ACMA) in your early 30s *with strong commercial awareness, you have well-developed* financial management experience, ideally gained in an international manufacturing environment, with exposure to US standards.

A very competitive salary package will be offered to attract a particularly high-calibre executive with the determination to succeed in a fast-moving and challenging, competitive environment.

To apply, please send cv indicating current salary, in confidence, to Fiona McMillan, Ref: 1208/FM/FT.

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Financial Controller

Package to a value of £25,000 p.a.
Watford

An exciting challenge has arisen for the right individual to join and develop with a strong, successful management team.

Our client is a rapidly expanding provider of a comprehensive range of computer services to a variety of business sectors. Since its formation in 1977 the company turnover and the number of people employed have grown according to plan. The Directors' projections for the medium term confirm continued impressive growth. They wish to enhance management at senior level by the introduction of an experienced Financial Controller. The present team is 46 strong and increasing.

If you:—
- **are a self-motivated communicator**
- **are a Chartered Accountant with at least 2-3 years' post qualification experience in financial control**
- **are familiar with computerised management information and spreadsheet software**
- **can design and implement financial and management control systems**
- **will take line responsibility for the direction and motivation of a small staff**
- **are a robust team player**
- **can hold your own with committed professionals from other disciplines**
- **want to be involved in the development of a successful business**

Then you could be the right person for this career opportunity.

The company has recently expanded its prestigious, modern accommodation in the heart of the commercial area of Watford.

The package offered, including a company car, is consistent with a senior management post reporting to the Managing Director in a vigorous, growing business. CVs to be sent in the first instance to Geoff Field,

ROBSON RHODES

Chartered Accountants

Management Consultancy Division

186, City Road, London, EC1V 2NU.

General Appointments appear every Wednesday

FINANCE DIRECTOR

Midlands c £20,000 Package + quality car

An undisputed market leader with famous brand names in the area of consumer products, our client has an excellent reputation for quality business performance on an international scale. Owing to internal reorganisation, they currently need a Finance Director for their profit centre based in the Midlands.

In your thirties, professionally qualified and technically competent, your recent background will include a manufacturing environment, where you'll be used to producing financial and management accounts quickly and accurately. You will possess broad commercial acumen, including up to date systems knowledge and a desire to become totally involved in our client's success.

This represents an outstanding opportunity for an ambitious professional to play a vital role in the manufacturing operation of a major international company.

In the first instance, please send a fully comprehensive CV to Richard Wareham, quoting ref FT 4841, and to ensure confidentiality please list any companies to whom you do not wish your application to be forwarded.

LAS

LONSDALE ADVERTISING SERVICES LTD
Hesketh House, Portman Square, London W1H 9FG

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Systems Accountant

Bucks, c £22,500, Bonus, Car, Attractive Benefits Package

Our client, a major finance company, offers a challenging position as Systems Accountant responsible for the continuing development of all mainframe and micro accounting systems within the group. Based in High Wycombe the Systems Accountant will report to the Financial Controller and will liaise closely with the information systems department. This is a highly professional, relatively new company operating in the mortgage finance and international capital markets. Its accent is on youth, flexibility and achievement and the position offers an exciting opportunity in a rapidly developing sector of the financial services industry. Candidates should be Chartered Accountants, with at least two years' experience of systems installation in a commercial environment. Aged 25/30, the successful candidate must possess an ability and willingness to work on his/her own initiative. A good accounting background and practical experience of systems installation are more important than knowledge of the financial services industry.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *A.T. Matthews,* Hoggett Bowers plc, *1/2 Hanover Street,* LONDON, *W1R 9WB.* 01-409 2766. *Quoting Ref: 320/FT.*

Senior Financial Analyst

c. £30,000 + BENEFITS
AMSTERDAM

TIP Trailer Rental, recently purchased by employees and other investors in a £60 million management buyout, is Europe's leader in the fast growing vehicle rental and leasing industry. Since 1985, we have invested over £40 million in new trailers and there is further investment planned for 1987 and beyond.

Reporting to the European Financial Director, you will be responsible for the preparation and presentation of a wide range of financial analysis reports for senior management, investors and bankers – covering all our European and UK operations. For this senior high profile role the ability to communicate and sell ideas, both verbally and in writing, at Board level is essential.

Probably aged 28-35, you will be a qualified accountant, economist or business graduate, with well developed commercial skills and the proven ability to make a significant contribution to the financial aspects of running a successful expanding company. A working knowledge of a second European language would be an advantage.

Based in Amsterdam, the post will involve frequent travel to the UK and our other European operations. Benefits include relocation assistance, where appropriate.

Please write with a detailed c.v. to:
Rodney Hunt, Personnel Director,
TIP Trailer Rental, Star House,
69-71 Clarendon Road, Watford, Herts. WD1 1NG.

TIP Trailer Rental

Securities Trading

Young ACA/ACCA £30,000

Our client is a North American firm, trading as principals in options and futures. It has established the City of London office recently and the indications are that it will be as successful here as it is in the USA. London has reached the critical point in development at which the financial and management accounting work-load is sufficient to require an independent UK function. The Accountant will be responsible for evaluating current systems, installing new or improved day to day controls including bargain clearing and liquidity reporting, writing and commissioning a settlements system, accounting and reporting in accordance with London Stock Exchange rules, budgeting and financial control. These duties encompass a significant part of back office electronic and manual operations and will extend to European offices in due course.

Candidates will find experience of finance, banking, broking or treasury is a distinct advantage — but direct knowledge of the securities industry is not as important as personality and commercial flair. We do require an outgoing personality, an independent mind, ability to work outside normal hours and flexibility. Salary will be based on experience and ability, and benefits will include a generous bonus scheme.

Please forward full details, including salary, in complete confidence, quoting reference LM33 to Terry Fuller, Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

Accountancy Appointments

Investing in London

The Greater London Enterprise Board Ltd is an investment agency which aims to invest in long term commercial, technological and social development of local companies. We are unique because we try to balance the commercial and social benefits of our investments.

We wish to appoint a number of high calibre professional staff to assist in the financial control, development and management of GLEB's portfolio into the 1990's. We are looking for experienced, qualified and energetic managers who are seeking a challenge *not* a soft option.

Projects Division

Following the appointment of the new Projects Director a business plan is being introduced to provide control over the management of existing projects. The plan will cover both the commercial and social aspects of our investments and provide business support activity through tracking performance against the plan. In order to assist the Projects Director we wish to appoint a Portfolio Manager.

Portfolio Manager
Up to £27,000 plus car

You will be accountable to the Projects Director for the co-ordination of work related to businesses in the GLEB projects portfolio according to the policies and specific authorities determined by the GLEB Board. You will participate in corporate policy and operational decision-making and provide the day to day supervision of the work of Project Executives. You will be required to ensure the provision of business support and specialist skills such as sales, marketing and production to develop the portfolio. You will be directly involved in a number of GLEB investments and will be responsible for ensuring that their activities are effectively managed and the Board is fully appraised of their development. You should have first hand experience in at least three different businesses. Apart from being able to demonstrate general management ability, you must have specialised in at least one major discipline such as sales, marketing, production or finance. You will be required to deputise for the Projects Director in his absence. Ref: P006.

Technology Division

The Technology Division is involved in the development of socially useful means of production predominately new technology and the management of engineering, electronics and scientific projects.

Technology Manager
Up to £27,000 plus car

You will be the deputy to the Director of Technology and have similar responsibilities to the Portfolio Manager but have a significant new technology background. A proven record of senior managerial ability is essential. You should have experience in design, development, product innovation, appraisal or transfer, and you must have specialised in at least one major discipline such as sales, marketing and production experience in an industrial environment. Ref: T007.

Finance Division

Following the appointment of our new Finance Director the Finance Division has been restructured to improve financial control and to provide a firm base from which GLEB can expand with confidence into Fund Management.

Applications are invited for the following posts:

Finance Manager
Up to £27,000 p.a. plus car

Reporting to the Finance Director you will be responsible for the financial monitoring of all investments and the provision of management information to the Board and Management to enable the financial affairs of the Company to be controlled. You should have a minimum of ten years' experience in at least two different industries and a minimum of five years' experience of accounting in manufacturing. You must be able to demonstrate involvement in the development of major management information systems and have significant managerial skills. You may be required to deputise for the Finance Director in his absence. Ref: F008.

Chief Accountant
Up to £23,000 p.a.

You will be responsible for the proper administration of the financial affairs of the Company and its subsidiaries, the design and maintenance of internal financial control systems and relations with the Company's auditor. You will prepare all GLEB statutory accounts including subsidiaries, Venture Capital Funds, Property Unit Trusts, Business Expansion Schemes, preparation of budgets, forecasts, variance reports and long range plans. You should have a minimum of five years' industrial experience, be able to provide significant input on corporate taxation, the development of management information systems and the day to day supervision of accountancy staff. Ref: F009.

Financial Analysts
Up to £20,000 p.a.

You will be responsible for the provision of financial monitoring information on investments to the Finance Manager and Project Executives. You will be expected to have direct involvement in investments and be able to assist in the financial aspects of project development and control. You should have a minimum of three years' accountancy experience with at least one year in a manufacturing environment. You will be required to provide expertise in one of the following areas:
- development of accounting systems for use in investments
- development of banking facilities and contacts for use by investments
- the availability of grants and other financing mechanisms

Ref: F010.

Financial Accountant
Up to £20,000 p.a.

You will be responsible to the Chief Accountant and assist in the proper administration of the financial records of the Company involving cash management and bank reconciliations, loans, mortgages and interest schedules, outstanding debts, budgets, forecasts and variance reports. You should have a minimum of five years' commercial experience including the completion of accounts and credit control. Ref: F011.

Assistant Company Secretaries
£14,000-£20,000 p.a.

These two new posts are responsible for the development and maintenance of corporate legal practice within GLEB, its subsidiaries and projects to the highest professional standards. They are also required to ensure as GLEB's corporate legal advisors that the Company/commercial legal aspects of GLEB's work are managed and controlled and that all statutory requirements are met. Both posts report to the Finance Director. One post will deal with corporate/technology requirements, the other will deal with property/projects requirements. You will need a minimum of three years company secretarial/commercial experience for the property/projects post or five years company secretarial/commercial experience for the corporate/technology post, or ACIS. Ref: F012.

GLEB is an equal opportunities employer and considers all job applicants strictly on their merits. In addition, we positively welcome applications from women, black people and disabled people where they are under-represented in particular jobs. GLEB's premises are disabled accessible, all its posts are open for job sharing, and it provides childcare assistance.

All these senior positions require a commitment to the development of equal opportunities and social responsibility within a commercial framework.

Job descriptions and application forms may be obtained from Vanessa Moody on 01-403 0300 at the Greater London Enterprise Board Ltd, 63-67 Newington Causeway, London SE1 6BD, completed forms to be returned by Friday, 30 January 1987.

Greater London Enterprise Board

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Interviews will be held before the end of January 1987 and selected candidates will be expected to join as early as possible.

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The Admin Manager
PAKISTAN INTERNATIONAL AIRLINES
1-15 King Street
London W6 9HR

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zimmer international ltd

Senior Accountant International Accountants

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Our client Zimmer International is a fast growing division of the Bristol Myers Organisation, involved in the manufacture of health care products. Due to the doubling of sales figures over the past three years, high calibre individuals are invited to apply for the vacancies below:-

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The successful candidate will have recently qualified as a Chartered Accountant with a top eight firm, and will take responsibility for a wide range of duties including: Supervision of Consolidation, Treasury Management, Cash Flow Forecasting, Analysis Work and Management Reports.

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Knowledge of a foreign language would be a distinct advantage for all the positions, as extensive travel is required to Europe, The Far East and North and South America. The company is prepared to make further language training facilities available for suitable candidates.

Career opportunities are available both with Zimmer International and also within the world wide network of the Bristol Myers Group. An attractive package is offered which incorporates the benefits one would expect of a major international company.

If you consider that you have the personal qualities and the technical abilities to fill one of these positions, please apply in writing to the address below or telephone for an application form.

Accountancy Personnel *Placing Accountants First*
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Kingston, Surrey KT1 1NP
Telephone: 01-541 4555

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East Anglia, Up To £23,000, Car

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East Midlands, c £18,000, Car, Exceptional Benefits

Part of a major international group, the client is a profitable and progressive engineering contractor undertaking large, multi-disciplined turnkey projects worldwide. Reporting to the Financial Director, responsibility will involve project appraisal, project cost control and on-site assessment. This appointment will involve significant overseas travel for which there is an additional and appropriate full allocation allowance. Applicants, aged 30+, with ACMA or equivalent, should have a broad and progressive cost and management accountancy background gained in a contracting or engineering/manufacturing environment. Essential personal qualitites include technical expertise and the ability to deal effectively with operational personnel of all levels. Full relocation assistance is available to this attractive area.

J.H. Wright, **Hoggett Bowers plc**, *Albany House, Hurst Street,* **BIRMINGHAM, B5 4BD, 021-622 2961**. *Ref: 36511/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

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No capital injection is required. A substantial salary will be paid for a brief introductory period, to be followed by admission to partnership.

A fully detailed curriculum vitae to be sent to:

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Financial Times, 10 Cannon Street
London EC4P 4BY

Confidentiality will be strictly observed

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In their mid 20s, applicants should be newly/recently qualified accountants from the profession or industry. Technical accounting and good interpersonal skills are considered essential.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/539/AF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

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Applicants should preferably be aged 40 to early 50's, qualified to at least FCA standard and with essential City experience in fund investment and management.

Salary is negotiable at circa £35,000 according to ability and experience and the successful candidate will participate in a contributory pension scheme.

Applicants, Male or Female, should write to W. M. Stern describing how they match these requirements and quoting ref: J2262A
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Highclere House, Highclere Close,
Kenley, Surrey CR2 5JU.

STERN RECRUITMENT ASSOCIATES
Executive Search and Selection

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday January 15 1987

Stockholm shares tumble to new low as fall accelerates

BY KEVIN DONE, NORDIC EDITOR, IN STOCKHOLM

THE STOCKHOLM stock market suffered its biggest fall for several decades with SKr 58bn ($8.7bn) being wiped off share prices in the last six days of trading.

The fall accelerated yesterday as the Veckans Affarer index dropped another 3.2 per cent, bringing the decline to 13 per cent in the last week.

"Private investors are panicking out of the market and the major institutions are sitting on the sidelines and waiting," said one trader in Stockholm yesterday.

"It has been a shock that the market could fall back so much for so many days in succession and so much each day."

The Stockholm market has enjoyed an almost unbroken rise since 1980, faltering only in 1984. The bull market continued last year with a further jump of 51 per cent, but many traders feel that has reached a turning point.

Financial markets have been plunged into uncertainty as details of the Swedish budget began to leak out last week, ahead of its official release on Monday.

Long-term interest rates have risen by more than 1 per cent in the last few days, as concern has risen at the Social Democratic Government's failure to tighten economic policy and dampen the strong rise in private consumption.

Private consumption has become the main impulse for economic growth, and fears are growing that this will lead to higher inflation and a weakening of the current account of the balance of payments.

An outflow of currency from Sweden has been building up since the autumn, as the gap between Swedish and foreign interest rates has narrowed. The money market is looking nervously towards the next currency flow figures to be released tomorrow, as speculation grows about an increase in the Swedish discount rate.

"The stock market index has never suffered such a sustained fall in modern times," said one dealer yesterday, "you have to go back to the Kreuger crash in the 1930s to find a parallel."

The sustained fall in share prices has hit all sectors of the market,

Beauty business upturn boosts Avon Products

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the US cosmetics and fashion jewellery marketer, lifted earnings from continuing operations for 1986 by 24 per cent to $159m or $2.23 per share, from $128.2m or $1.51, mainly due to the turnround in its domestic beauty products business.

In 1985, income from discontinued operations of $34.9m and a loss of $223m related to the sale of Mallinckrodt, Avon's speciality chemical subsidiary, produced a final net loss of $59.9m. Sales in 1986 were $2.87bn against $2.47bn in 1985.

Mr Hicks Waldron, chairman and chief executive officer, said: "We expect sales, earnings, and earnings per share to increase again in 1987."

Waldron also said he expects the company to maintain its current annual $2 dividend, adding: "There's no financial need to change now that sales and earnings have turned up."

Chemical lifts earnings despite loan-loss rise

BY WILLIAM HALL IN NEW YORK

CHEMICAL NEW York Corporation, the first of the leading US money centre banks to report its earnings, increased net income by 3.1 per cent to $402.4m, or $7.42 per fully diluted share, in 1986 after increasing its loan loss provisions by more than 50 per cent to $439.2m.

Chemical is the sixth biggest US banking group and its steady if unspectacular progress in 1986 contrasts with the latest earnings performance reported by several mid-sized regional banks.

First Chicago boosted its fourth quarter net income by 30 per cent to $77.2m, while Bank of New-England Corporation increased its final quarter net income by 15 per cent to $43.4m, PNC Financial increased its final quarter net income by 18.3 per cent to $58.8m and Fleet Financial increased its final quarter net income by 28 per cent to $36.7m.

First Chicago, whose earnings have been erratic in the past, finally seems to be recovering its earlier form.

Mr Barry Sullivan, the chief executive, says that each of the group's three major lines of business – the global corporate bank, the consumer bank and the middle market bank, American National Corporation – contributed to its successful year.

For the full year First Chicago boosted its net income by 63 per cent to $276.2m or $4.70 per share. The group's provision for loan losses rose by $28.8m to $440m in 1986.

Chemical's net income rose by 4.9 per cent to $102.4m or $1.92 per fully diluted share, in the final quarter of 1986.

The fourth quarter results were affected by a near doubling in the loan loss provision to $147.7m.

Chemical, which had assets of $60.6bn at end 1986, says that its performance reflected gains in net interest income-service fees, trading profits, gains on the sale of investment securities and other income.

These included substantial gains related to investment banking activities.

Earnings also benefited from applying the reduced income tax rate specified in the Tax Reform Act of 1986 to leveraged leases.

PNC Financial increased its 1986 net income by 28.4 per cent to $237.4m.

Mixed results for Gencor units

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

GENCOR, the South African mining group, reports mixed net profit results for its gold producers in the December quarter.

Despite the rise in average US gold prices in the quarter to around $414 an ounce from $386 an ounce, the rand gold price received by Gencor's mines in the period were little changed from the previous three months. This was due to the rand's strengthening against the dollar.

Unit costs were also higher in the latest quarter, while at many mines gold output fell. However, the group's tax liability was down, in line with rises in tax-offsetting capital expenditure at several mines. Buffelsfontein, for instance, produced less gold but a fall in tax left the mine showing a higher net profit.

There was a similar pattern at St Helena, which suffered from work stoppages but enjoyed a tax recoupment. There were also tax rebates at West Rand Consolidated and Stilfontein with the latter also receiving a half-yearly dividend from the Chemwes subsidiary.

Grootvlei, Marievale, Beatrix and Leslie all increased gold production in the December quarter. Output had fallen, however, at the Evander area mines, Bracken, Unisel, Winkelhaak and Kinross. Kinross's output fell 30 per cent as a result of the severe underground

GOLD MINE RESULTS

	Net profits Dec qtr R000	Net profits Sept qtr R000	Net profits June qtr R000	Gold prices Dec qtr R/Kg	Gold prices Sept qtr R/Kg
Beatrix	30,101	30,137	12,908	29,574	30,154
Bracken	3,036	7,169	2,828	29,300	29,622*
Buffels	37,276	29,228	34,189	29,612	30,284
Grootvlei	3,868	6,556	4,149	29,731	*29,573
Kinross	16,104	26,406	17,028	30,261	29,765
Leslie	2,311	3,764	2,257	29,526	29,089*
Marievale	1,127	873	748	29,943	29,009*
St Helena	22,702	17,273	18,068	29,689	29,490
Stilfontein	18,162	4,063	10,391	29,596*	28,350
Unisel	17,732	21,023	15,828	29,450	30,257
West Rand Cons	2,985	1,393	1,733	29,909*	27,801
Winkelhaak	36,030	47,182	28,242	29,957	28,820

* Includes the effect of closing out of forward sales contracts.

Bethlehem Steel expects recovery

By Our Financial Staff

BETHLEHEM STEEL, the struggling US steelmaker, expects to report net profits in the fourth quarter ended December 31, instead of the operating loss previously expected, because of "improved operating results."

In the year-ago fourth quarter, Bethlehem reported a loss of $77.5m which came after a non-recurring pre-tax charge of $85m related to the closing of certain facilities sales in the year-ago quarter totalled $1.26bn.

Bethlehem, the third largest US steelmaker, has been in loss on an annual basis since 1982, an still expects a loss for the whole of 1986.

The company said it would not record as income in the fourth quarter of 1986 an investment tax credit refund of about $130m. The amount represents 50 per cent of its investment tax credit carryforward balance at December 31.

● Enron, the US energy group formerly called HNG/Inter North has revised qupward its estimated fourth quarter gain from the previously announced sale of its chemical unit to $123m from the previously reported $90m.

Enron said the gain would be offset by non-recurring fourth quarter charges primarily from location and severance, building lease obligations, asset writedowns and the previously announced charge associated with buyback of its common stock from the Irwin Jacobs and Leucadia National interests.

Enron said it reorganised its gas pipeline group to further increase efficiency

In the 1985 fourth quarter, Enron had a net loss of $182.6m, which included an extraordinary charge of $218m related to the nationalisation of its Peruvian operation.

● National Semiconductor, the US electronics group, expects to incur a one-time charge of about $15m in its third quarter ending March 8.

VF to close down 8 Wrangler plants with heavy job cuts

BY OUR FINANCIAL STAFF

VF CORPORATION, the largest publicly-held US clothing company, is to close eight of its Wrangler jeans division plants in North Carolina and Arizona with the loss of up to 1200 jobs.

The closures are part of a restructuring following the $775m acquisition last year of Blue Bell Holding, maker of Wrangler jeans. The plants to be closed came with the acquisition, and make jeans and other clothing under the Wrangler brand. VF said their operations would be phased out over the next 90 days.

VF did not say if the closures would cause a charge against earnings, but said the restructuring was intended to improve competitiveness by focusing on its "most successful products."

VF already made jeans before the acquisition, under the Lee label, and now has about 25 per cent of the US blue jeans market, which has been declining over the past few years as consumer tastes have changed. The other major player in the market is Levi Strauss, which has severely pruned its operations in recent years.

VYF said a severance programme was being developed for workers who will lose their jobs and efforts were under way to find buyers for the plants.

Norton set to take charge of $78.5m

BY ANATOLE KALETSKY IN NEW YORK

NORTON COMPANY, the major US manufacturer of industrial ceramics and abrasives, is to take an after-tax charge of $78.5m for the fourth quarter of 1986, reflecting losses in the oilfield drilling business, an investment write-down and additional costs from an extensive restructuring programme begun in 1985.

Norton's sales and profits have been declining since 1981, when the company had revenues of $1.3bn and a net profit of more than $90m.

In the last two years Norton has been consolidating its businesses and cutting employment in response to the general industrial slowdown and particularly the collapse in oil drilling.

Norton's Christensen subsidiary, a leading manufacturer of drilling bits for the petroleum and mining industries, was combined in a joint venture with Texas Eastern last September and its sales are no longer consolidated with Norton's results.

In addition to losses from the oil business, Massachusetts-based Norton said yesterday that it was writing down its investment in Vitesse Electronics Corporation.

Norton is also planning further reductions of about 300 in its worldwide workforce of 15,000. In the nine months to September 1986, Norton earned $40.5m on sales of $848m and results for the fourth quarter will be reported in about two weeks, the company said.

Legal Notices

IN THE MATTER OF SANDWELL COPIERS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of January, 1987, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
BRIAN MILLS
of 1 Wardrobe Place,
Carter Lane,
London EC4V 5AJ
the Luiquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 24th day of December, 1986.

ST. DUNSTAN'S HILL LEASING LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 175 of the Companies Act 1985, that a Meeting of the members of the above Company has approved a payment out of capital for the purpose of acquiring 499,000 of its own shares by purchase, and that pursuant to a resolution dated 9th January, 1987, £499,000 was paid for the shares in question. The Statutory Declaration of the Directors and the Auditors' Report required by Section 173 of the Companies Act 1985 are available for inspection at the Company's registered office. Any creditor of the Company may at any time within five weeks immediately following 9th January, 1987 apply to the court under Section 176 of the Companies Act 1985 for an order prohibiting the said payment out of capital.

INTERNATIONAL COMPANIES and FINANCE

George Graham previews the largest share flotation ever made on the French stock market

Paribas' strategy underlines hunger for independence

THE FLOTATION next week of Paribas, the investment banking group, provides a real test for the privatisation policy of the French government.

The privatisation of St Gobain, the glass and packaging group floated last month, was almost the last success for Mr Jacques Chirac's administration before a series of setbacks to its economic and social policies in recent weeks. Can Paribas help to restore some of the lustre, as St Gobain did?

The sale is expected to value Compagnie Financiere de Paribas, the group holding company, at over FFr 19bn ($3bn), which would make it the largest company ever to come onto the French stock market.

But Paribas is an aggressive merchant bank—in sharp contrast to St Gobain. It takes an active and sometimes controversial rloe in the affairs of many French companies, and admits to several skeletons in its cupboards.

Finance ministry officials are hoping that the privatisation will be a cleaner affair than the nationalisation in 1982, when bitter rows broke out over the moves by Mr Pierre Moussa, the group's former chairman, to sell off some of Paribas's choice overseas holdings to friendly investors.

Paribas has been perhaps the hungriest of the nationalised companies wanting to return to the private sector. It wants to regain its feeling of independence and the freedom to issue new capital and use its own paper to make acquisitions.

It may not be that easy. The group's debt was yesterday downgraded by Standard and Poor's, the US rating agency — not an unexpected decision, but scarcely auspicious for a bank within two days of announcing its offer price.

Mr Michel Francois-Poncet, Paribas's chairman, views the move with equanimity in the context of a general downgrading of the banking industry by the ratings agencies. The consequences in the short term will be nil, he says, though there could be some small longer term effects in the financial markets.

But if Paribas admits to skeletons in the cupboard, it has been keen in recent months to air them in public in advance of its privatisation.

Credit du Nord, in which Paribas holds 51 per cent with the rest held directly by the state, warned that its losses in 1986 would total FFr 400m after provisions of FFr 200m for restructuring costs, and had to call on its shareholders for FFr 750m of new capital. The announcement of the losses came as a shock after three years of gradual recovery from the red.

"We had two choices. We could have treated the problem gently and gone at it over several years, but that was not possible at the time of privatisation. The alternative was to carry out a more surgical operation," said Mr Francois-Poncet.

Mr Francios-Poncet likes to point out that Paribas's direct shareholding in Credit du Nord is consolidated in the group's accounts at less than a fifth of the value of Compagnie Bancaire, the successful consumer lending group in which Paribas holds 45 per cent.

French banking activities accounted for FFr 691m out of consolidated group net earnings of FFr 1.35bn in 1985. In the first half of 1986, however, the contribution was FFr 127m out of a group total of FFr 929m, with buoyant earnings of FFr 172m from Compagnie Bancaire offset by a FFr 196m share of the Credit du Nord losses.

PARIBAS	FFr(bn)	FFr(bn)
1981	1.56	16
1982	1.1	16.5
1983	1.55	20
1984	1.43	21
1985	2.73	26.3
1986	1.87	37.7

Overseas banking and financial activities—principally the Paribas banks in Switzerland, Belgium and Luxembourg—provided FFr 304m in 1985, and FFr 267m in the first half of 1986.

A mounting proportion of Paribas's earnings has come, however, from the non-banking side of its activities, its portfolio of industrial investments.

Portfolio holding companies such as OPFI-Paribas, the oil sector grouping Sogedip or the Belgian investment grouping Cobepa, earned FFr 294m in 1985 and FFr 151m in the first half of 1986.

On top of this, however, Paribas has in the past few years boosted its capital gains realisations, which amounted to FFr 303m and totalled 443m in the first six months of last year alone.

The industrial holdings, like the banking division, have their unpleasantnesses, such as Generale de Fonderies or Fives-Lille, which lost FFr 436m in the first half of 1986 after the collapse into the hands of the receivers of Nasa, its electrical retailing subsidiary.

Even observers at Paribas's arch-rival Suez, which claims a more secure if more pedestrian investment approach, concede that such problems are part of Paribas's more aggressive style and do not detract from its overall profitability.

Mr Francois-Poncet wants the investment strategy of Paribas to evolve towards one of more active investment management where the profitability of the stake is the only criterion, rather than getting involved in the management of the company.

"The old role of the banque d'affaires which takes a role in a company and holds onto it seems to me completely outmoded. For us it is no longer the notion of empire which prevails," he said.

Synergy is a description of a state of affairs, not a policy.

Paribas does not plan to stop its old practice of forming close alliances with other groups, such as Merrill Lynch, in which it is the largest single shareholder and which is helping manage the international share offering for Paribas, or with the Pallas group of its former chairman Mr Moussa.

The alliances will be formalised through a special sale of shares to French institutions outside the main public offering.

The French Treasury is placing 20 per cent of Paribas's capital at a price 2.5 per cent above the as yet unknown price of the shares. Investors will have to apply for between 1 and 4 per cent of the capital and undertake to hold on to at least 80 per cent of their stake for a minimum of two years.

The successful applicants will be announced on Friday afternoon, at the same time as the share price and the conversion offer for the preferred investment certificates — non-voting stock which make up 25 per cent of the capital of the company.

The general share offer will cover the remaining 25.66m shares, 55 per cent of the company. Employees will be offered 7.5 per cent of the company, foreign investors 15 per cent and French investors 32.5 per cent — with priority to orders for between 10 and 50 shares and a free share issue for those who hold on to their stakes for 18 months.

Michel Francois-Poncet — for us it is no longer the notion of empire which prevails

Paribas is hoping that its shareholder register will be more than four times as large as it was before nationalisation in 1981, when it numbered 150,000 individual investors.

With 5,000 to 6,000 letters of inquiry a day coming in even before the offer opens on Monday, Paribas is confident that this figure could be met by January 31, the closing date.

DAF earnings soar 62% as output improves

By Laura Raun in Amsterdam

DAF TRUCKS, the Dutch commercial vehicle maker, saw profits soar 62 per cent to Fl 33m ($15.6m) in 1986 from Fl 20.4m the year before, as the group continued its dramatic rebound from a heavy loss in 1983.

Mr Aart Van Der Padt, chairman of Daf, said record high deliveries and improved productivity accounted for the best year since 1980. After posting a Fl 27m loss in 1983 the company launched an ambitious Fl 600m investment programme to moderise production, widen the product range and renew vehicle components.

Mr Van Der Padt said Daf had delivered 16,003 vehicles in 1986, or 13 per cent more than in the previous year, and had lifted its market share in both medium and heavy vehicles. The company sells trucks, buses and military vehicles around the world.

The chairman predicted that net income as well as sales would continue to climb this year.

DAF is currently discussing with the Rover group of the UK a possible wider collaboration, merger or sale of Leyland Trucks. Last year Daf and Rover agreed on a co-operative pact in which Daf would sell Leyland's Roadrunner trucks and Sherpa panel vans while Rover manufactured the new Daf 400, a delivery van to be unveiled this month.

RWE profits decline as electricity demand eases

BY DAVID MARSH IN BONN

RWE, West Germany's largest electricity utility, reported group net profits of DM 583m ($311m) in the year ended June 1986 against DM 602m in 1984-85.

Turnover edged ahead to DM 28.8bn from DM 28.4bn, of which 56 per cent was in the electricity production sector and the rest split up among lignite mining, oil, chemicals and engineering activities.

RWE is maintaining a DM 8 per share dividend payout to shareholders. But it was unable to add to reserves last year largely on account of heavy investment requirements for desulphurisation equipment on coal-fired power stations.

RWE suffered from weak demand for electricity with overall sales falling 2 per cent in 1985-86, above all because industrial customers made more use of their own cheaper oil and gas-fired generating capacity, profiting from the drop in fuel prices.

The sluggish electricity pattern continued into the current business year with sales falling 6.4 per cent in the first six months.

Tough German clean air regulations, entailing a massive programme of fitting flue gas desulphurisation equipment, is costing RWE DM 6.4bn over several years, of which DM 3bn has already been spent.

RWE is involved in a legal and political struggle with the state authorities of North Rhine Westphalia to try to push through price rises which were partially blocked last year.

Hero shares suspended

TRADING IN shares of Hero Conserven, the Swiss foodstuffs concern, was suspended on the Zurich Stock Exchange yesterday at the request of the company," writes John Wicks

Hero, which has a stock market value of around SwFr 317m ($202m), has been subject to violent fluctuations in share price in the past few days after reports of a take-over bid.

The company is understood to have received an offer from interests who hold a substantial number of shares.

The mystery bidder is understood to own over 25 per cent of Hero's capital. The same had been claimed of an Arab buyer in 1985, when Hero had said it would "do everything in its power" to ward off an unfriendly take-over.

Although the existence of the potential 1985 purchase was never proved, Hero protected itself at the time by the introduction of bid-proof registered shares.

In 1985, Hero's turnover held level at just under SwFr 425m, while net earnings fell slightly to SwFr 10.73m.

Wartsila Marine to close yard

By Olli Virtanen in Helsinki

WARTSILA MARINE, the Finnish shipbuilding company that comprises the former shipyards of Wärtsilä and Valmet, plans to close at least one larger yard, possibly more.

The move is part of the company's reorganisation following its merger at the beginning of this year.

The shipbuilding operations have already cut their total workforce of 10,000 to 8,000, and further cuts will be made in the near future.

The company's order books now stand at FM 5.7bn ($1.2bn), well below the high of FM 12bn for Wärtsilä and Valmet combined in 1982.

The best performer now is the Turku yard, which recently received order for 11 vessels from the Soviet Union. The Helsinki-Hietalahti yard lacks orders despite work on the two nuclear ice breakers to be delivered to the Soviet Union at the end of this decade.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JANUARY 9, 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.529	0.566	10.262	8.450
Australian Dollar	14.008	0.129	14.587	12.830
Canadian Dollar	10.003	−1.787	11.704	9.869
Euroguilder	6.197	3.009	6.314	5.804
Euro Currency Unit	8.583	0.433	9.524	8.164
Yen	6.064	−1.909	7.002	5.774
Sterling	10.839	−2.413	11.932	9.751
Deutschemark	6.235	−0.780	6.947	6.234

Bank J. Vontobel & Co Ltd. Zurich - Telex: 812744 JVZ CH

INTL. COMPANIES and FINANCE

Japanese row on mortgage trusts

BY YOKO SHIBATA IN TOKYO

A ROW is simmering within Japan's banking community over the plan by 12 leading commercial (city) banks to launch mortgage investment trusts.

This would be the first move by the city banks into issuing long-term securities, a field hitherto reserved for the long-term credit banks.

Despite the protests of the long-term credit banks, the Ministry of Finance has signalled its approval for the scheme. The MoF is under increasing pressure from foreign financial authorities to tighten its capital adequacy requirements on banks, and sees the creation of mortgage investment trusts as a way the banks can rapidly improve their capital bases while reducing their loans.

The MoF is not likely to be sympathetic to the long-term credit banks' complaints. These banks' debentures have become very popular lately among individual investors, now that the tax-exempt savings systems is about to be abolished.

The plan by the 12 banks calls for the formation of instruments provisionally called housing loan mortgage trusts, into which the banks would put their housing loans. The trusts would then create beneficiary certificates in small lots of Y10m ($64,250) or more with maturities of three years or longer for sale to institutional and individual investors.

The banks expect to obtain MoF approval in March after fine-tuning the details of their scheme. The MoF has indicated that it is willing to give a go-ahead because the trusts will help the banks improve their capital ratios to an internationally respectable ratio.

Currently, the equity-to-asset ratio of Jappanese city banks is about 2 per cent, well below the internationally accepted level of 6 per cent. US and European bankers have complained that the Japanese are able to undercut them in deals because Japanese supervision is too weak.

According to one estimate, a third of all foreign currency assets in the London market were held by Japanese banks and securities houses at the end of 1986, double the level held by British financial institutions. Japanese banks have been very aggressive in the US as well.

At last week's two-day bilateral meeting held between Mr Satoshi Sumita, the Bank of Japan governor, and Mr Gerald Corrigan, the New York Federal Reserve president, the possibility of instituting certain capital adequacy ratios for all international banks was discussed as one of the main topics.

The Japanese authorities and bankers claim that their capital bases are, in fact, much higher than they appear

Dead Sea Works profits fall by 26%

By Our Tel Aviv Correspondent

DEAD SEA Works, a subsidiary of state-owned Israel Chemicals, has reported a 26 per cent fall in net earnings in the first half-year to September, compared with the corresponding 1985 period. It is the first decline since 1982 for the company, which emerged as Israel's largest profit maker last year.

Sales remained virtually unchanged at $94m, with close to 85 per cent resulting from exports. Dead Sea Works supplies 7 per cent of the world's potash market.

Mr Aryeh Shachar, managing director, attributed the downturn in profits chiefly to the drop in world potash prices and rising production costs at home.

Manila converts $49.5m debt

THE PHILIPPINE Government has approved the conversion of $49.5m in debt into equity since it began a conversion programme in August, Reuter reports from Manila.

The central bank said the amount covers 27 companies and follows 69 applications to convert a total of $249.34m of debt into equity in local projects.

The plan aims to cut Manila's foreign debt by allowing investors to buy government notes at a discount, repatriate them and convert them at full value in pesos, if the proceeds of the conversion are invested in local projects.

John Fairfax increases bid for Queensland Press

JOHN FAIRFAX, the Australian publishing group, is to increase its takeover offer for Queensland Press to A$24 a share from the previous A$20, Reuter reports from Sydney.

The new offer values the company at A$1.09bn (US$726.7m).

Queensland Press holds a pivotal 24 per cent stake in the Herald and Weekly Times (HWT), the subject of a takeover battle between Mr Rupert Murdoch's News Corporation and Mr Robert Holmes à Court's J. N. Taylor Holdings. In turn, Queensland Press is owned 48.3 per cent by HWT.

Terms of the Fairfax bid make it conditional on and interdependent with the success of J. N. Taylor's bid for HWT. It is currently offering A$13.50 per HWT share against News Corporation's A$15.

The two key conditions of the Fairfax offer are that Queensland Press accepts the J. N. Taylor cash offer for its stake in HWT and that Taylor allows HWT to accept the Fairfax bid for the Brisbane company.

The bid is also conditional on a 50.1 per cent acceptance rate —assuming conversion of notes, for which an offer is also being made. There should also be no change in its business apart from its accepting the J. N. Taylor offer for its HWT shares.

Mr Holmes à Court, whose companies hold about 14 per cent of Queensland Press, has varied the terms of the Taylor offer for HWT to accommodate these conditions.

A representative of Mr Holmes à Court in Perth said Taylor had not increased its bid in tandem with the new Fairfax offer, although he said an increase was a possibility.

Taylor's approach has been to go to the courts in Victoria and Queensland to try to block Mr Murdoch's bid for HWT and to prevent Queensland Press accepting his offer.

In Melbourne, however, the Victoria Supreme Court yesterday dropped an interim injunction which had restrained News Corporation from acquiring more than 15 per cent of HWT. But it ordered that News Corporation be restrained from registering the transfer of any HWT shares acquired under its A$2.3bn bid until the end of the court action brought against News by J. N. Taylor. The substantive action is due to start next Monday.

Mr Justice Beach said Taylor was a rival bidder for HWT and there was no justification for court restraint of News Corporation to protect Taylor's interests.

Taylor, which obtained the interim injunction last Friday, alleges that News would breach the Broadcasting and Television Act if it obtained more than 15 per cent of HWT.

This is claimed to arise because Mr Murdoch is a US citizen. Foreigners cannot own more than 15 per cent of an Australian broadcasting operation.

However, News has said it would divest two metropolitan television stations and five radio stations owned by HWT if its bid succeeded.

Nissho Iwai to join Canadian car project

By Robert Gibbens in Montreal

NISSHO IWAI, the big Japanese trading house which has been operating in Canada for many years, will have a 15 per cent interest in the minicar project of Daihatsu of Japan and Canada's Bombardier near Montreal.

Daihatsu will initially have a 35 per cent stake and Bombardier will hold control. Industry officials believe the project, worth C$400m (US$292.8m) to C$500m, will be officially announced later this month.

The first stage will be to convert a production line at a Bombardier plant near Montreal to assemble four-wheel-drive Daihatsu Rocky Jeep-type vehicle. The line is now assembling small four-wheel-drive Iltis military vehicles developed from a Volkswagen design.

The second phase will be building a new plant to make the Vesta, a North American minicar with a three-cylinder Daihatsu engine, and the existing 1,000 cc Daihatsu Charade. Most parts will be imported from Japan. Production is due to start in 1991 and to reach 220,000 units for sale in Canada and the US.

Daihatsu will become the fourth Japanese car maker to assemble in Canada, following Toyota (which owns 14.8 per cent of Daihatsu), Honda and Suzuki. The others have chosen Ontario as their site. Hyundai of South Korea is now building a C$450m assembly plant near Montreal.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Haig Simonian on board changes at General Motors' finance arm

GMAC takes reshuffle in its stride

WHEN THE senior management changes at General Motors Acceptance Corporation (GMAC), last year's sixth largest borrower in the Euromarkets, the world's investment bankers tend to stand up and listen.

A number have already left their calling cards with Mr Gordon Samardich, who has just taken up the newly-created post of GMAC's vice-chairman with responsibility for world-wide borrowing, finance and strategic planning.

Like most of its senior executives, Mr Samardich, 59, is a General Motors veteran. He has worked for the company or its subsidiaries since 1951, becoming GMAC's treasurer in 1972 and executive vice-president for borrowing and finance in 1984.

The creation of the new vice-chairmanship coincides with the appointment on January 1 of Mr John (Jack) Edman as GMAC's chairman. But the new job does not imply any change in the company's borrowing plans or dissatisfaction with the way things were done before, according to Mr Samardich. "It is a consolidation of various activities which had different reporting lines in the past," he says.

GMAC has about $75bn in borrowings outstanding at present. It raises funds in more than 20 countries, but the US and the Euromarkets account for about 95 per cent of its total capital-raising requirements.

The company raised $2.7bn in the Eurobond market last year with 20 issues. It is one of the largest private borrowers in the US domestic capital market, with $31bn of commercial paper in issue—one tenth of the total market—and some $9bn in medium-term notes (MTNs), almost one-third of all MTNs outstanding.

However, 1985 and 1986 were bumper years. As GMAC issues debt exclusively to finance retail and wholesale vehicle sales, its borrowing is intimately linked to how easily its parent company can sell cars. Borrowing for capital projects like new plant and machinery is done under General Motors' own name.

GMAC's prominence in the markets last year had a lot to do with the difficult climate for vehicle sales in the US. To pull in business, General Motors had to come up with incentive programmes for dealers and low rate finance for buyers' all of which had to be funded by GMAC. Hence the "tremendous growth" in GMAC's borrowing activities in the past two years was "somewhat artificial," according to Mr Samardich.

"Our funding requirements in 1987 are to a very large degree dependent on our business," says Mr Samardich. GMAC's borrowing tends to increase as the new car market grows more difficult. "Special rate incentives and the like are very, very expensive," he notes.

The outlook for new car sales seems promising on the surface; figures for December were up. But that partly reflected the impact of recent US tax changes regarding the deduction of sales tax and interest. The outlook for the rest of the year is less certain. "It remains to be seen how much disclocation has been caused by special rate financing in pulling forward orders," says Mr Samardich.

GMAC's faith in the Euromarkets appears not to have been shaken by recent reports about hard times ahead. "It's an alternative source of funding as far as we're concerned," says Mr Samardich. "When it's attractive, we take advantage of it; when not, we use other markets."

Like most multinational corporations, GMAC's viewpoint is very much to compare costs in different markets and borrow accordingly "We will continue to use the Euromarket as long as it is advantageous to us," says Mr Samardich.

GMAC is tight-lipped about new ideas in the pipeline. "We are always receptive to new ideas of whatever sort," says Mr Samardich. Its size and status as a borrower means it is never short of suggestions from investment bankers. "As the creativity of the investment banking business rises we'll look at all the ideas bounced off us."

Whatever happens to the new car market in 1987, GMAC will

Mr Gordon Samardich: GM veteran

have to refinance about $1.2bn in specifically underwritten debt issues this year. Moreover, issues totalling another $500bn could be attractively called, according to Mr Samardich.

Its heavy borrowing needs and constant wish to broaden its investor base means GMAC has been a keen user of new debt instruments. The company's Eurocommercial paper debut last year was an important landmark in the market's growth. "We're satisfied with Euro-CP so far," says Mr Jerome Van Orman, director of GMAC's US borrowings, who also oversees the company's day to day Euro-CP business.

GMAC's Euro-CP outstandings have totalled more than $1bn, but just over $400m is outstanding at present, with maturities ranging between five and 183 days.

However, the company has found that Euro-CP is about 10 basis points more expensive on average than the equivalent US market. "That is one of the major operating problems we have," says Mr Van Orman. Nevertheless, "we view it as a very long term project."

Broadening the investor base was one of the major reasons for GMAC to get into Euro-CP, despite the potentially slightly higher cost than borrowing at home. The fact that commercial paper spreads between Europe and the US have come in over the past 12-18 months was also an important factor in persuading GMAC to go ahead.

Earlier this month, the company gave its blessing to the fledgling Euro-MTN market with the announcement of a $1bn programme. Outside counsel is still discussing tax matters, but GMAC expects to formalise its decision by a filing with the US Securities and Exchange Commission before the end of this month.

As with its Euro-CP, GMAC will use dealers as agents to issue Euro-MTNs. Although it issues commercial paper directly in the US, GMAC uses agents for its domestic MTN issues.

With the rejigging of Mr Samardich's responsibilities, GMAC's senior in-house fund-raising team is almost complete. However, it still has to fill the gap between Mr Samardich and Mr Van Orman opened up when Mr Robert Almon stepped down last year as vice president of wordwide borrowings to join Salomon Brothers. The post has been vacant for some months, but an appointment is expected soon.

Transferable facility for Moscow Narodny

BY OUR EUROMARKETS EDITOR

MOSCOW NARODNY BANK has become the first Soviet-owned bank to arrange a transferable loan facility in the Euromarkets. It has mandated the Midland Bank group to arrange a DM100m five-year credit.

The borrower, a London-based bank which has operated in the Euromarkets since their inception, has previously issued floating rate notes and certificates of deposit and so is not new to tradeable debt. It also arranged a multiple options facility last year. Othre Soviet borrowers have been wary of loans which could be sold on by the lender to other banks.

A Moscow Narodny official said yesterday the loan was also the bank's first significant borrowing in D-Mark and reflected the fact that it has a good volume of business in the currency. The loan can, however, be drawn in other currencies.

The interest margin declines during the term of the loan from 18.75 basis points over London interbank offered rates during the first year to ten basis points in the fifth year. The initial rate is thus higher—and the final rate lower—than the 12.5 basis points on the last Soviet Foreign Trade Bank loan, which rose to 25 basis points after five years

Liffe to go ahead with Japanese bonds plan

By Alexander Nicoll, Euromarkets Editor

THE London International Financial Futures Exchange (Liffe) is proceeding with plans to introduce futures on Japanese government bonds by the end of May, despite difficulties associated with devising the new contract.

The complexity of the problems involved underlines the difficulty of bringing market practices which have become widespread elsewhere in the world to a Tokyo market that is still in the early stages of being internationalised.

Liffe has to deal with Japanese withholding tax. Although it has come up with a plan which it believes will lead to the clearest market pricing of its contract, it is still uncertain whether this will find support from the Japanese authorities and the marketplace. If it does not, there is some danger that Japanese participation in the contract could be inhibited—though Japanese residents are currently barred from trading foreign futures, this bar is expected to be relaxed.

Japan has a 20 per cent withholding tax payable by the holder of a bond at the coupon date. This means buyers often pay only 80 per cent of accrued interest, although some institutions are exempt. There are distinctions between bearer and registered bonds. Complicating the issue further, overseas holders may be liable to less tax or none at all.

Under the terms of the Tokyo Stock Exchange's highly successful Y100m government bond futures contract, holders of long positions which run to delivery do not know whether they will receive bonds upon which tax is payable.

Liffe's approach in devising its contract, which is in other ways similar to Tokyo's, is to assume that full accrued interest will be paid on delivery. It argues that this will lead to unambiguous pricing. If buyers determine that this should imply a lower price, this will be reflected in the market—even though this could result in the Liffe price being different from Tokyo's. In any case, it says, fewer than 1 per cetn of futures contracts run to delivery.

Other details of the contract also remain to be finalised. Delivery is to be in bearer form in Tokyo, but discussions are continuing with a Japanese bank which could act as custodian. Liffe's contract is to be interchangeable with an identical contract to be launched later by the Chicago Board of Trade.

Mecury Intl forms Swiss holding group

By David Lascelles

A SWISS COMPANY, S. G. Warburg Soditic Holdings SA, has been formed to act as the holding company for the Swiss banking interests of Mercury International group, the London-based merchant bank.

The new company will own 100 per cent of the share capital of S. G. Warburg Bank, the asset management bank based in Zurich and Geneva, and of Soditic SA, the Geneva-based investment bank. Previously, Mercury owned 80 per cent of S. G. Warburg Bank and 45 per cent of Soditic.

S. G. Warburg Soditic Holdings will be half owned by Mercury, and half by the management and shareholders of Soditic. The name of the bank has been changed to Bank S. G. Warburg Soditic AG, and the name of Soditic to S. G. Warburg Soditic SA. The chairman of the holding company is Mr Oscar Lewisohn, the deputy chairman of Mercury.

The purpose of the change is to bring S. G. Warburg Bank and Soditic closer together and seek greater synergy between the two.

Issues record for Switzerland

By John Wicks in Zurich

THE SWISS capital market last year broke all records for the issue of new securities, according to Swiss Bank Corporation.

Excluding SFr 1.34bn of refinancing transactions, new money raised by domestic and foreign borrowers by the issue of bonds, notes, shares and non-voting certificates jumped by 29 per cent over the 1985 level to SFr 61.3bn.

Particularly high growth rates were reported for Swiss borrowers. The equity-market boom of 1986 led to a rise in the domestic issue of shares, participation certificates and dividend certificates from SFr 2.3bn to more than SFr 7.1bn.

Foreign borrowers continued to account for more than two-thirds of the market. Swiss franc bonds of foreign borrowers alone rose from SFr 16.3bn to SFr 23.6bn,

Eurobond investors seek out non-dollar offers

BY CLARE PEARSON

THE CONTINUED decline in the dollar sent new issue managers searching for issuing opportunities elsewhere yesterday. Morgan Guaranty followed up Tuesday's three deals in the Ecu sector with an Ecu 150m issue for Eurofima, the European railway financing agency, while other houses concentrated on the Canadian dollar market.

Dealers said that the Ecu primary market was looking overloaded after the relatively heavy issuing volume of the last few days, which has been prompted by the opening up of swap opportunities.

Nevertheless, the terms of Eurofima's issue seemed reasonable, especially as the triple-A rated bond should attract Japanese investors, who have been enthusiastic buyers of Ecu issues recently.

The seven-year bond was priced with a 7⅜ per cent coupon and 101¼ issue price. It was quoted at a bid price of 100 early yesterday afternoon, although later slipped to about 99⅞. Among the other recent issues, those for CCCE and Sumitomo Finance Asia were quoted at discounts of 2¼ per cent to issue price, outside the level of their total fees.

Two Canadian dollar issues emerged, as the Canadian dollar domestic bond market firmed during the afternoon along with US markets.

The Canadian dollar sector is sustained at the moment by investors looking for currency diversification. The Canadian dollar has been firm against the US dollar recently, and Canadian dollar bonds are providing a yield pick-up of up to 200 basis points over US dollar bonds.

But not all the new issues in this sector are going down well. A recent bond for Sears Canada, for instance, was quoted as low as 3 points below its issue price yesterday.

Goldman Sachs led a C$138m bond, maturing in December 1996, for the European Investment Bank. The proceeds were swapped with those of an issue for Farm Credit of Canada that Goldmans also launched yesterday in the US domestic market, so that the EIB obtained US dollars. The 9 per cent bond was priced at 101⅞ and was quoted at levels around its total fees.

Meanwhile CIBC led a C$100m five-year bond for CIBC Mortgage Corporation. The 9 per cent bond, priced at 100¼, gave a yield pick-up of 87 basis points over Canadian government bonds at the time of launch. The terms were viewed as slightly aggressive. It was quoted at discounts around the level of its total fees.

The only dollar deal of the day was led by Salomon Brothers International, for Statoil, the Norwegian state oil company. Dealers said its pricing was fair, although it saw little demand yesterday because of the weakness of the dollar.

The $200m 7⅞ per cent bond was priced at 101 to give a yield margin over US Treasury bonds of 70 basis points at the time of issue. Initially quoted at 99½, it slipped to levels outside its 1⅞ per cent fees during the afternoon.

In the D-mark market, prices moved up by about ¼ to ½ point in high volume, encouraged by the stronger D-mark against the dollar and growing hopes of a fall in interest rates. Recent issues saw good demand.

Deutsche Bank is expected to lead a equity-linked bond for Societe Generale de Belgique, amounting to around DM 300m, through Deutsche Bank, in the coming days.

Yesterday a recent DM 300m 6 per cent deal for the European Investment Bank improved by about ½ point to a bid price of 99, against a par issue price.

In Switzerland, prices continued their upward trend, improving by up to ½ point. Dealers found firm demand for a SFr 150m 4⅞ per cent 10-year bond for Fuji Heavy Industries, led by Swiss Bank Corporation. The deal, priced at 99¾, was quoted at a bid price of 98¼.

Credit Suisse led a SFr 100m five-year note issue for Belgium, with a 4⅞ per cent coupon—the lowest for about a year. The par-priced issue was launched too late in the day to be actively traded.

● Credit Suisse First Boston yesterday launched an international share offering for Himont, the resins and alloys producer which is jointly owned by the US company, Hercules, and Montedison, the Italian chemicals group.

The issue of 12.5m new shares, of which 10.25m are being planned in the US and 2.25m in Europe, represents 20 per cent of the enlarged share capital. The issue is expected to be priced early next month at between $22 and $25 per share.

Guiness Peat Aviation looks for $1.5bn

BY OUR EUROMARKETS EDITOR

GUINESS PEAT AVIATION, the Shannon, Ireland, based aircraft leasing company, is refinancing and expanding its borrowings with a $1.5bn programme, now in the early stages of arrangement in the Euromarkets.

Morgan Guaranty is understood to be advising the company on a complex transaction which will provide the company's principal source of finance. It will finance orders for aircraft already placed with Boeing, McDonnell Douglas and other manufacturers.

The funding is for the Shannon company itself and is quite separate from the financing needed for joint ventures already announced with Fokker and, this week, with Airbus.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 14

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Gencor Group

Gold mining companies' reports for the quarter ended 31 December 1986

All companies mentioned are incorporated in the Republic of South Africa

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01107/06
Directors: W.B. Evans (Chairman); F.S. Clarke; G.S. Lee*; H.B. Masenthal; C.R. Netscher; K.C. Whyte.
Alternates: J.H.J. Burke; T.C. Rees; D.J.D. Rees; J.C. Wilkinson.
*British
Issued capital—4 250 000 ordinary shares of R1 each.
— 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	Year ended 31.12.1986
Mined (m²)	97 174	109 897	420 758
Ore milled (t)	507 000	510 000	2 047 000
Gold produced (kg)	942	950	3 893
Yield (g/t)	1,9	1,9	1,9
Working revenue (R/t milled)	53,73	51,86	49,59
Working costs (R/t milled)	49,85	48,03	46,21
(R/m² mined)	260,10	222,91	224,80
Working income (R/t milled)	3,88	3,83	3,38
Gold price received (R/kg)	28 909	27 801	26 028
($/oz)	374	344	358
FINANCIAL RESULTS (R'000)			
Working revenue	27 241	26 447	101 572
Working costs	25 275	24 497	94 585
Working income	1 966	1 950	6 977
Sundry income—net	501	816	2 494
Tribute and royalties—net	(537)	(1 073)	(2 695)
Income before taxation	1 930	1 393	6 756
Taxation	(1 035)	—	(1 035)
Income after taxation	R2 965	R1 393	R7 791
Capital expenditure	1 360	895	3 325
Dividends declared	1 700	—	3 400
DEVELOPMENT			
Advanced (m)	4 638	5 486	21 304
Advanced on reef (m)	1 568	1 779	7 318
Sampled (m)	1 486	1 748	7 329
Channel width (cm)	73	78	78
Average value—gold (g/t)	7,3	5,3	7,2
— (cm.g/t)	532	415	564

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	1 107	4 085	85	5 280
Stope width (cm)	97	[illegible]	108	108
Value—gold (g/t)	6,56	[illegible]	8,10	[illegible]
— (cm.g/t)	640	[illegible]	882	736

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.
Ore which was previously defined as inaccessible has now been categorised as unavailable reserves.

REMARKS

Dividends
On 2 December 1986 dividend No. 110 of 30 cents per ordinary share and dividend No. 101 of R17,00 per deferred share was declared payable to members registered on 12 December 1986. Dividend warrants will be posted on 30 January 1987.

Dump milling
A total of 200 800 tons (September quarter 166 700 tons) of sand from the North Sand Dump and slimes from No. 1 Slimes Dam was treated.

Gold forward sales
In order to ensure the profitability of its mining operations, the mine has sold forward up to 50 percent of its expected gold production to July 1987. Prices range from R29 872 per kilogram in January 1987 to R31 004 per kilogram in July 1987. The attention of shareholders is drawn to the fact that the above transactions may be closed out prior to maturity date, or rolled over at any time. The effect of transactions closed out during the quarter is brought to account in working revenue.

Taxation
The deferred taxation provision of R1,0 million made in previous years on unissued consumable stores is no longer considered necessary and has therefore been reversed.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06
Directors: S.P. Ellis (Chairman); Dr. J.J. le R. Cilliers; P.J. Cronjé; W.B. Evans; J.G.A. Jung*; Dr. J. Kenyon*; R.R. Lavelle**; C.R. Netscher; H.A. Smith; K.C. Whyte.
Alternates: D.J. Bergman; F.S. Clarke; G.C. Krafft; T.J. Meade***; A.W. Paterson*.
*British **American ***Irish
Issued capital—28 000 000 shares of no par value.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986
Mined (m²)	57 687	66 504
Ore milled (t)	337 000	348 000
Gold produced (kg)	2 241	2 384
Yield (g/t)	6,7	6,9
Working revenue (R/t milled)	197,38	210,32
Working costs (R/t milled)	68,17	61,39
(R/m² mined)	396,99	307,32
Working income (R/t milled)	129,21	148,91
Gold price received (R/kg)	29 460	30 257
($/oz)	410	372
FINANCIAL RESULTS (R'000)		
Working revenue	66 518	73 190
Working costs	22 973	21 360
Working income	43 545	51 820
Sundry income—net	1 857	1 638
Milling fee	(1 687)	(1 686)
Income before taxation and State's share of income	43 715	51 772
Taxation and State's share of income	25 983	30 749
Income after taxation and State's share of income	R17 732	R21 023
Capital expenditure	3 913	2 778
Dividend declared	—	28 000

DEVELOPMENT	Quarter ended 31.12.1986 Basal Reef	Leader Reef	Quarter ended 30.9.1986 Basal Reef	Leader Reef
Advanced (m)	1 684	926	2 028	726
Advanced on reef (m)	385	629	384	577
Sampled (m)	313	554	333	420
Channel width (cm)	86	224	98	234
Average value—gold (g/t)	22,2	4,0	13,6	2,7
— (cm.g/t)	1 904	896	1 336	634

REMARKS

Dividends
A dividend of 100 cents per share was paid on 7 November 1986.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/00412/06
Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Rees; Dr. F.J.P. Roux; P. Truijens; J.E. van Niekerk.
Honorary President: J. Scott (Non-executive)
*British
Issued capital—13 062 500 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	Year ended 31.12.1986
Mined (m²)	104 299	120 320	477 054
Ore milled (t)	424 000	426 000	1 693 000
Gold produced (kg)	2 013	2 018	8 555
Yield (g/t)	4,7	4,7	5,0
Working revenue (R/t milled)	137,43	134,52	132,27
Working costs (R/t milled)	111,36	113,52	107,39
(R/m² mined)	452,77	401,32	387,14
Working income (R/t milled)	26,07	21,00	24,88
Gold price received (R/kg)	28 966	28 350	29 128
($/oz)	399	355	348
FINANCIAL RESULTS (R'000)			
Working revenue	58 271	57 305	223 839
Working costs	47 218	48 359	181 611
Working income	11 053	8 946	42 128
Sundry income—net	1 293	1 305	7 463
Tribute and royalties—net	(2 766)	(3 013)	(12 234)
Income before taxation and State's share of income	9 580	7 238	37 357
Taxation and State's share of income	(582)	2 355	9 693
Dividend received	8 000	—	12 800
Income after taxation and State's share of income	R18 162	R4 883	R40 464
Capital expenditure	2 888	1 577	8 251
Dividend declared	13 063	—	26 065

DEVELOPMENT	Quarter ended 31.12.1986 Vaal Reef	V.C.R.	Quarter ended 30.9.1986 Vaal Reef	V.C.R.	Year ended 31.12.1986 Vaal Reef	V.C.R.
Advanced (m)	5 737	8 330	6 205	5 602	25 121	18 840
Advanced on reef (m)	416	883	508	843	2 800	3 182
Sampled (m)	385	950	486	785	2 510	3 115
Channel width (cm)	21	46	29	56	25	56
Average value—gold (g/t)	54,8	6,4	40,2	6,1	46,6	6,7
— (cm.g/t)	1 152	296	1 150	342	1 168	371
—uranium (kg/t)	0,782	0,091	0,462	0,075	0,709	0,107
— (cm.kg/t)	16,50	4,20	13,20	4,20	17,95	5,93

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	1 087	1 801	170	3 058
Stope width (cm)	112	112	112	112
Value—gold (g/t)	9,15	10,66	12,60	10,23
— (cm.g/t)	1 023	1 192	1 410	1 144
—uranium (kg/t)	0,150	0,167	0,201	0,163
— (cm.kg/t)	16,76	18,65	22,48	18,19

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 2 December 1986 dividend No. 65 of 100 cents per share was declared payable to members registered on 12 December 1986. Dividend warrants will be posted on 30 January 1987.

Gold forward sales
In order to ensure the profitability of its mining operations, the mine has sold forward up to 50 percent of its expected gold production to July 1987. Prices range from R29 872 per kilogram in January 1987 to R31 128 per kilogram in July 1987. The attention of shareholders is drawn to the fact that the above transactions may be closed out prior to maturity date, or rolled over at any time. The effect of transactions closed out during the quarter is brought to account in working revenue.

Taxation
The deferred taxation provision of R3,5 million made in previous years on unissued consumable stores is no longer considered necessary and has therefore been reversed.

Chemwes Limited

Company Registration No. 64/02378/06
(A subsidiary of Stilfontein Gold Mining Company Limited)
Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Rees; Dr. F.J.P. Roux; P. Truijens; J.E. van Niekerk.
*British
Issued capital—1 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	Year ended 31.12.1986
Uranium			
Pulp treated (t)	883 000	580 000	2 577 000
Oxide produced (t)	102,3	63,9	288,5
Yield (kg/t)	0,115	0,109	0,112
FINANCIAL RESULTS (R'000)			
Net income after taxation	R4 950	R2 769	R14 362
Capital expenditure	102	10	223
Dividend declared	10 000	—	16 000

REMARKS

Dividends
A dividend of R10 million was declared on 12 December 1986.

Production
The increase in the production rate reflects revised sales projections.

KINROSS Mines Limited

Company Registration No. 63/00228/06
Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; S.P. Ellis; P.J. Eustace; W.B. Evans; B.N.S. Lund; H.A. Smith; M.A. Watson.
Alternates: D.J. Bergman; J.A. du Plessis; K.M. Hosking; T.C. Rees; D.J.D. Rees; J.C. Wilkinson.
Issued capital—18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986
Mined (m²)	98 778	143 763
Ore milled (t)	443 500	535 000
Gold produced (kg)	2 662	3 218
Yield (g/t)	6,0	6,0
Working revenue (R/t milled)	182,20	180,98
Working costs (R/t milled)	84,96	70,22
(R/m² mined)	389,32	261,33
Working income (R/t milled)	97,24	109,87
Gold price received (R/kg)	30 281	29 755
($/oz)	422	362
FINANCIAL RESULTS (R'000)		
Working revenue	80 804	96 347
Working costs	37 675	37 569
Working income	43 129	58 778
Sundry income—net	1 911	2 510
Income before taxation and State's share of income	45 037	61 288
Taxation and State's share of income	28 933	34 882
Income after taxation and State's share of income	R16 104	R26 406
Capital expenditure	2 061	5 194
Dividend declared	—	34 200
DEVELOPMENT—Kimberley Reef		
Advanced (m)	2 637	5 220
Advanced on reef (m)	626	1 347
Sampled (m)	622	1 338
Channel width (cm)	23	27
Average value—gold (g/t)	32,3	37,0
— (cm.g/t)	752	1 006

REMARKS

Dividends
A dividend of 190 cents per stock unit was paid on 7 November 1986.

Production
The adverse effects of the underground fire on 18 September 1986 are manifested in the operating and financial results.

MARIEVALE Consolidated Mines Limited

Company Registration No. 88/05778/06
Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; P.T. Powell*; H.G. Masenthal; S.A. Smith; H.A. Smith.
Alternates: D.J. Bergman; G.C.R. Brits; T.C. Rees; D.J.D. Rees; P. Truijens; J.C. Wilkinson.
*British
Issued capital—4 586 080 shares of 25 cents each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	Year ended 31.12.1986
Mined (m²)	18 580	17 065	68 001
Ore milled (t)	88 000	88 000	349 000
Gold produced (kg)	261	241	1 006
Yield (g/t)	2,9	2,8	2,9
Working revenue (R/t milled)	87,81	82,80	77,95
Working costs (R/t milled)	68,92	70,13	66,51
(R/m² mined)	329,46	363,62	351,85
Working income (R/t milled)	18,89	12,47	11,44
Gold price received (R/kg)	29 942	29 009	26 809
($/oz)	418	356	364
FINANCIAL RESULTS (R'000)			
Working revenue	7 615	7 194	27 208
Working costs	6 126	6 081	23 210
Working income	1 690	1 073	[illegible]
Sundry income—net	124	60	360
Income before taxation	1 814	1 133	4 383
Taxation	687	280	1 178
Income after taxation	R1 127	R873	R3 205
Capital expenditure	386	358	994
Dividend declared	1 575	—	2 700
DEVELOPMENT			
Advanced (m)	404	587	2 232
Advanced on reef (m)	316	372	1 332
Sampled (m)	308	370	1 302
Channel width (cm)	85	48	57
Average value—gold (g/t)	4,9	7,8	7,2
— (cm.g/t)	413	379	412

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	370	110	40	520
Stope width (cm)	129	136	145	128
Value—gold (g/t)	5,76	6,50	5,58	5,93
— (cm.g/t)	742	789	826	759

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 2 December 1986 dividend No. 35 of 35 cents per share was declared payable to members registered on 12 December 1986. Dividend warrants will be posted on 30 January 1987.

Dump milling
A total of 15 800 tons (September quarter 5 800 tons) was milled ex surface dumps.

WINKELHAAK Mines Limited

Company Registration No. 55/03808/06
Directors: C.R. Netscher (Chairman); F.S. Clarke; S.P. Ellis; P.J. Eustace; W.B. Evans; C.T. Fenton; J.R. Forbes; B.N.S. Lund; H.A. Smith; T.J. Steenkamp.
Alternates: D.J. Bergman; J.H.J. Burke; K.M. Hosking; T.C. Rees; D.J.D. Rees; P. Truijens; J.C. Wilkinson; A.J. Wright.
Issued capital—12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986
Mined (m²)	157 612	158 126
Ore milled (t)	593 000	606 000
Gold produced (kg)	3 472	3 624
Yield (g/t)	5,9	6,0
Working revenue (R/t milled)	176,57	180,03
Working costs (R/t milled)	67,80	61,63
(R/m² mined)	255,08	236,19
Working income (R/t milled)	108,77	118,40
Gold price received (R/kg)	29 957	29 629
($/oz)	415	384
FINANCIAL RESULTS (R'000)		
Working revenue	104 708	109 096
Working costs	40 205	37 349
Working income	64 503	71 747
Sundry income—net	2 402	2 913
Tribute and royalties—net	(272)	(442)
Income before taxation and State's share of income	66 633	74 218
Taxation and State's share of income	27 603	27 056
Income after taxation and State's share of income	R39 030	R47 162
Capital expenditure	24 651	27 827
Dividend declared	—	30 450
DEVELOPMENT—Kimberley Reef		
Advanced (m)	3 184	3 482
Advanced on reef (m)	325	286
Sampled (m)	336	258
Channel width (cm)	57	38
Average value—gold (g/t)	12,7	25,1
— (cm.g/t)	720	941

REMARKS

Dividends
A dividend of 250 cents per share was paid on 7 November 1986.

No. 6 Shaft System
Full-scale sinking of the ventilation shaft commenced on 18 October 1986 and has reached a depth of 291 metres below collar. Preliminary sinking of the main shaft commenced on 1 December 1986 and has reached a depth of 50 metres below collar. All ancillary construction work is on schedule.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20742/06
Directors: S.P. Ellis (Chairman); T.L. de Beer; W.B. Evans; E.P. Gush; L. Hoets; K.M. Hosking; C.G. Knobbs; G.C. Krafft; C.R. Netscher; H.A. Smith.
Alternates: D.J. Bergman; J.H.J. Burke; F.S. Clarke; F.J. Cook; P.J. Eustace; H.G. Masenthal; D.J.D. Rees; S.W. van der Colf; G.W. Woodward.
Issued capital— 9 625 000 ordinary shares of R1 each.
— 10 115 070 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	Year ended 31.12.1986
Mined (m²)	127 409	126 405	541 422
Ore milled (t)	604 000	543 000	2 307 000
Gold produced (kg)	2 079	2 212	9 743
Yield (g/t)	4,1	4,1	4,4
Working revenue (R/t milled)	122,32	120,33	117,50
Working costs (R/t milled)	82,87	76,38	73,55
(R/m² mined)	327,83	328,10	299,76
Working income (R/t milled)	39,45	43,95	43,95
Gold price received (R/kg)	29 658	29 489	26 567
($/oz)	410	372	349
FINANCIAL RESULTS (R'000)			
Working revenue	61 847	65 338	259 320
Working costs	41 768	41 474	162 319
Working income	19 879	23 864	97 001
Sundry income—net	2 550	2 498	13 855
Income before taxation and State's share of income	22 429	26 362	110 856
Taxation and State's share of income	(1 273)	8 489	33 024
Income after taxation and State's share of income	R23 702	R17 873	R77 842
Capital expenditure	14 352	11 295	43 860
Dividend declared	25 025	—	40 425

DEVELOPMENT	Quarter ended 31.12.1986 Basal Reef	Leader Reef	Quarter ended 30.9.1986 Basal Reef	Leader Reef	Year ended 31.12.1986 Basal Reef	Leader Reef
Advanced (m)	2 804	1 410	3 218	1 219	12 507	4 627
Advanced on reef (m)	345	785	319	520	1 036	2 551
Sampled (m)	405	661	333	809	1 713	2 498
Channel width (cm)	109	169	128	135	119	146
Average value—gold (g/t)	10,3	3,4	5,7	3,6	7,2	3,1
— (cm.g/t)	1 127	570	741	487	860	464

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	6 620	2 080	280	8 980
Stope width (cm)	120	124	113	121
Value—gold (g/t)	9,13	10,41	11,26	9,46
— (cm.g/t)	1 096	1 291	1 269	1 146

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 2 December 1986 dividend No. 53 of 260 cents per share was declared payable to members registered on 12 December 1986. Dividend warrants will be posted on 30 January 1987.

Production
The following events had an adverse effect on production during the December quarter:
(i) Work stay-away on 1 October.
(ii) Underground fires at the No. 2 and No. 8 shafts on 6 and 18 October respectively which affected production by 7 shifts.
(iii) A partial stay-away by employees on 9 October.

No. 10 Shaft
Equipping of the shaft was completed during December and breakaway development has commenced.

Taxation
The deferred taxation provision of R4,3 million made in previous years on unissued consumable stores is no longer considered necessary and has therefore been reversed.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/32504/06
Directors: S.P. Ellis (Chairman); F.S. Clarke; D.J. Crowe*; T.L. de Beer; W.B. Evans; E.P. Gush; G.S. Lee*; C.R. Netscher; T.L. Pretorius; T.J. Steenkamp; L.W.P. van den Bosch; R.A.D. Wilson.
Alternates: J.H.J. Burke; F.J. Cook; P.J. Eustace; M.D. Hensley; L. Hewitt; T.C. Rees; P. Truijens; J.E. van Niekerk.
Honorary President: J. Scott (Non-executive)
*British
Issued capital—11 000 000 ordinary shares of R1 each.
—12 400 188 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	6 months ended 31.12.1986
Gold			
Mined (m²)	156 190	168 969	325 159
Ore milled (t)	710 000	733 000	1 443 000
Gold produced (kg)	5 070	5 615	10 685
Yield (g/t)	7,1	7,7	7,4
Working revenue (R/t milled)	211,45	233,05	222,42
Working costs (R/t milled)	122,43	121,82	122,12
(R/m² mined)	556,55	528,45	541,95
Working income (R/t milled)	89,02	111,23	100,30
Gold price received (R/kg)	29 613	30 384	30 033
($/oz)	411	377	394
Uranium			
Pulp treated (t)	710 000	733 000	1 443 000
Oxide produced (t)	137	164	301
Yield (kg/t)	0,19	0,22	0,21
FINANCIAL RESULTS (R'000)			
Gold—Working revenue	150 131	170 823	320 954
—Working costs	86 928	89 291	176 219
—Working income	63 203	81 532	144 735
Uranium—Working income	6 192	2 788	8 980
Sundry income—net	2 209	2 673	4 882
Dividend received	2 000	—	2 000
Share of income—Beatrix mine	7 895	—	7 895
Tribute and royalties—net	(11 924)	(12 447)	(24 371)
Income before taxation and State's share of income	69 575	74 546	144 121
Taxation and State's share of income	28 492	11 066	39 558
Income after taxation and State's share of income	41 083	63 480	104 563
Taxation offset on Beatrix capital expenditure applied to repay loans	3 807	34 294	38 091
Attributable to ordinary shareholders	R37 276	R29 226	R66 502
Capital expenditure	10 558	8 368	18 925
Dividends declared	46 200	—	46 200
DEVELOPMENT—Vaal Reef			
Advanced (m)	9 688	12 927	22 615
Advanced on reef (m)	800	662	1 462
Sampled (m)	598	832	1 430
Channel width (cm)	102	111	107
Average value—gold (g/t)	15,7	14,8	15,0
— (cm.g/t)	1 599	1 618	1 605
—uranium (kg/t)	0,482	0,441	0,461
— (cm.kg/t)	49,92	48,85	49,30

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	5 725	2 488	1 123	9 356
Stope width (cm)	151	143	153	148
Value—gold (g/t)	9,73	11,19	10,59	10,22
— (cm.g/t)	1 468	1 599	1 624	1 523
—uranium (kg/t)	0,359	0,362	0,357	0,360
— (cm.kg/t)	54,12	51,75	54,70	53,52

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg and an estimated realisable value for uranium oxide.

REMARKS

Dividends
On 2 December 1986 dividend No. 59 of 420 cents per ordinary share and dividend No. 3 of 186 cents per cumulative preference share was declared payable to members registered on 12 December 1986. Dividend warrants will be posted on 30 January 1987.

Beatrix mine

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	6 months ended 31.12.1986
Mined (m²)	121 308	123 669	244 977
Ore milled (t)	525 000	525 000	1 050 000
Gold produced (kg)	3 570	3 413	6 983
Yield (g/t)	6,8	6,5	6,7
Working revenue (R/t milled)	200,73	198,03	199,38
Working costs (R/t milled)	82,45	79,12	80,78
(R/m² mined)	356,81	335,87	346,24
Working income (R/t milled)	118,28	118,91	117,60
Gold price received (R/kg)	29 574	30 154	29 707
($/oz)	410	377	389
FINANCIAL RESULTS (R'000)			
Working revenue	105 384	102 917	208 301
Working costs	43 284	41 537	84 821
Working income	62 100	61 380	123 480
Sundry expenditure—net	5 875	3 793	9 768
Royalty payments	15 908	15 437	31 245
Income before taxation	40 317	42 150	82 467
Taxation	1 156	3 013	4 169
Income after taxation	R39 161	R39 137	R78 298
Capital expenditure	7 296	1 850	9 146
Appropriation for loan repayments	16 924	18 538	35 462
DEVELOPMENT—Beatrix Reef			
Advanced (m)	7 708	8 078	15 786
Advanced on reef (m)	2 036	2 325	4 361
Sampled (m)	1 866	2 139	4 005
Channel width (cm)	52	68	61
Average value—gold (g/t)	18,3	15,3	16,0
— (cm.g/t)	949	1 084	974

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	2 240	110	1 010	3 360
Stope width (cm)	128	151	126	127
Value—gold (g/t)	8,52	5,81	7,29	8,06
— (cm.g/t)	1 081	853	918	1 026

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Sundry expenditure
This figure is made up mainly of interest payable to Beatrix Mines Limited.

BRACKEN Mines Limited

Company Registration No. 59/01128/06
Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; P.J. Eustace; W.B. Evans; B.N.S. Lund; H.A. Smith; T.J. Steenkamp; M.A. Watson.
Alternates: D.J. Bergman; J.A. du Plessis; K.M. Hosking; T.C. Rees; D.J.D. Rees; D.W. Stelberg; P. Truijens; J.C. Wilkinson.
Issued capital—14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986
Mined (m²)	59 086	61 557
Ore milled (t)	234 000	245 000
Gold produced (kg)	708	794
Yield (g/t)	3,0	3,2
Working revenue (R/t milled)	92,04	98,98
Working costs (R/t milled)	61,96	58,19
(R/m² mined)	245,39	231,58
Working income (R/t milled)	30,08	40,79
Gold price received (R/kg)	29 900	29 622
($/oz)	417	365
FINANCIAL RESULTS (R'000)		
Working revenue	21 538	24 250
Working costs	14 499	[illegible]
Working income	7 039	[illegible]
Sundry income—net	381	637
Tribute and royalties—net	(167)	(189)
Income before taxation and State's share of income	7 253	10 442
Taxation and State's share of income	4 215	3 273
Income after taxation and State's share of income	R3 038	R7 169
Capital expenditure	278	1 543
Dividend declared	—	7 000
DEVELOPMENT—Kimberley Reef		
Advanced (m)	779	942
Advanced on reef (m)	215	276
Sampled (m)	250	214
Channel width (cm)	61	41
Average value—gold (g/t)	7,7	7,0
— (cm.g/t)	369	288

REMARKS

Dividends
A dividend of 50 cents per share was paid on 7 November 1986.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/03003/06
Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; P.T. Powell*; D.D. Rees; S.A. Smith; H.A. Smith.
Alternates: D.J. Bergman; J.A. du Plessis; T.C. Rees; D.J.D. Rees; P. Truijens.
*British
Issued capital—11 428 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986	Year ended 31.12.1986
Mined (m²)	118 869	112 687	455 474
Ore milled (t)	432 000	463 000	1 780 000
Gold produced (kg)	1 483	1 403	5 736
Yield (g/t)	3,4	3,0	3,2
Working revenue (R/t milled)	102,06	90,62	87,36
Working costs (R/t milled)	64,05	59,28	60,73
(R/m² mined)	235,56	243,64	237,32
Working income (R/t milled)	38,03	31,34	26,65
Gold price received (R/kg)	29 731	29 873	27 013
($/oz)	418	370	369
FINANCIAL RESULTS (R'000)			
Working revenue	44 090	41 958	155 530
Working costs	27 668	27 448	108 091
Working income	16 429	14 510	47 439
Sundry income—net	546	177	1 641
Tribute and royalties—net	(131)	90	(44)
Income before taxation	16 844	14 777	48 936
Taxation	6 876	8 221	22 119
Income after taxation	R9 968	R6 556	R26 817
Capital expenditure	917	1 276	5 535
Dividend declared	18 011	—	18 674

DEVELOPMENT	Quarter ended 31.12.1986 Black Reef	Kimberley Reef	Main Reef	Quarter ended 30.9.1986 Black Reef	Kimberley Reef	Main Reef	Year ended 31.12.1986 Black Reef	Kimberley Reef	Main Reef
Advanced (m)	282	2 083	171	369	2 284	269	1 295	8 911	1 212
Advanced on reef (m)	189	1 225	171	127	1 479	87	680	5 808	811
Sampled (m)	159	1 196	159	138	1 468	66	642	5 422	696
Channel width (cm)	113	22	28	106	25	64	109	23	40
Average value—gold (g/t)	4,7	21,5	7,9	8,8	14,8	5,8	8,0	16,4	7,3
— (cm.g/t)	534	474	220	925	370	319	872	378	293

ORE RESERVES as at 31 December 1986

	Available	Unavailable	Inaccessible	Total
Tons (000's)	1 450	600	1 320	3 370
Stope width (cm)	106	102	136	118
Value—gold (g/t)	6,50	6,07	4,31	5,56
— (cm.g/t)	693	619	582	642

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 2 December 1986 dividend No. 86 of 105 cents per stock unit was declared payable to members registered on 12 December 1986. Dividend warrants will be posted on 30 January 1987.

Taxation
The deferred taxation provision of R3,0 million made in previous years on unissued consumable stores is no longer considered necessary and has therefore been reversed.

LESLIE Gold Mines Limited

Company Registration No. 59/01134/06
Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; B.N.S. Lund; H.A. Smith; T.J. Steenkamp; M.A. Watson.
Alternates: D.J. Bergman; J.A. du Plessis; T.C. Rees; D.J.D. Rees; J.C. Wilkinson.
Issued capital—18 000 000 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 31.12.1986	Quarter ended 30.9.1986
Mined (m²)	77 712	75 894
Ore milled (t)	351 000	358 000
Gold produced (kg)	880	863
Yield (g/t)	2,5	2,4
Working revenue (R/t milled)	76,03	73,36
Working costs (R/t milled)	53,64	50,78
(R/m² mined)	242,26	238,42
Working income (R/t milled)	22,39	22,58
Gold price received (R/kg)	29 626	29 689
($/oz)	415	366
FINANCIAL RESULTS (R'000)		
Working revenue	26 686	26 262
Working costs	18 827	18 179
Working income	7 858	8 083
Sundry income—net	213	505
Tribute and royalties—net	(20)	(20)
Income before taxation and State's share of income	8 051	8 568
Taxation and State's share of income	4 740	4 804
Income after taxation and State's share of income	R3 311	R3 764
Capital expenditure	127	1 174
Dividend declared	—	4 800
DEVELOPMENT—Kimberley Reef		
Advanced (m)	2 689	3 036
Advanced on reef (m)	709	576
Sampled (m)	679	595
Channel width (cm)	33	23
Average value—gold (g/t)	12,5	18,3
— (cm.g/t)	296	420

REMARKS

Dividends
A dividend of 30 cents per share was paid on 7 November 1986.

Dump milling
A total of 87 000 tons (September quarter 52 000 tons) was milled ex surface dumps.

NOTES

1. Development values quoted above represent actual results of sampling. No allowance has been made for any adjustments which may be, or were, necessary when estimating ore reserves.
2. All financial figures are unaudited.
3. The quarterly reports have been approved and signed on behalf of the respective companies by two directors.
4. Ore reserves
   – All mines publish calculated ore reserves at 6-monthly intervals in their respective financial years.
   – Unavailable ore reserves are reserves which cannot be made available for mining during the next 12 months.
   – Inaccessible ore reserves are reserves which may only be mined towards the end of the life of the mine.
5. Future capital expenditure
   Members are referred to details of capital expenditure in the latest annual report of each company. With the sharp variations in the gold price it is not meaningful to state estimates of future capital expenditure on a quarterly basis. Capital programmes are managed from month to month in accordance with varying financial circumstances.

Johannesburg, 15 January 1987

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001

London office and secretaries
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

Transfer offices
South Africa:
General Mining Union Corporation Limited
74-78 Marshall Street
Johannesburg 2001
(PO Box 61357, Marshalltown 2107)

United Kingdom:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Copies are available from: London office, 30 Ely Place, London, EC1N 6UA

UK COMPANY NEWS

Strong retail side lifts Dixons 35%

A FURTHER sharp rise in profits was announced yesterday by Dixons Group, the UK's leading retailer of electrical goods and which last summer failed in a £1.8bn bid for the Woolworth High Street chain.

For the 28 weeks to November 8 1986 Dixons raised its turnover from £451.3m to £528m and saw its profits surge to £40.5m at the pre-tax level, an improvement of 35 per cent over last time's £30.1m.

The figures were bang in line with City estimates and by the close of business the group's shares were standing at 324p, down 12p on the day.

Mr Stanley Kalms, group chairman, said trading by the retail companies had been strong with sales increasing by 23 per cent over the same period last year to £456.1m.

Sales per sq ft in Dixons and Currys stores increased by 15 per cent overall.

The retail results included the newly-formed financial services division which successfully introduced its own extended warranty programme in July.

The group has over 1,200 stores throughout the UK—apart from the Dixons outlets, it owns the Currys chain and Power City Stores. In October, it acquired SupaSnaps, a chain of 344 film processing shops and three laboratories, for around £4m.

Mr Kalms said that by the end of the year the group plans to have opened 90 new or resited shops and to have refurbished almost 200 more.

He pointed out that this programme would represent some 300,000 sq ft of additional retail space.

Christmas trading was at a record level and in view of the group's earnings growth and a favourable outlook for the year as a whole, shareholders are to receive an interim dividend of 1.2p net, up from last time's adjusted 0.5775p. The increase is partly to reduce the imbalance between the two payments.

A divisional breakdown of turnover and pre-tax profits for the 28 weeks shows: retailing £456.1m (£372.2m) and £29.5m (£22.1m), property £36.7m (£32m) and £6.2m (£4.7m), processing £27.9m (£23.4m) and £0.9m (£1.4m), and overseas £7.3m (£14.7m) and £3.9m (£1.9m). Last time's profits included £9m from activities since discontinued.

Tax for the half year accounted for £13.4m (£10.3m), minorities for £0.1m (nil) and extraordinary items for £0.5m (nil).

Earnings per 10p share emerged 1.9p ahead at 7.3p.

During the period a new brand, Logik, was successfully launched throughout the group.

Mr Kalms said that as previously announced, the growth of Currys through the absorption of Power City's out-of-town stores would significantly reinforce the group's position in this important sector where substantial expansion was planned.

Profitability in the processing division declined in an inclement summer.

An aggressive strategy to gain market share was introduced and volumes increased by 14 per cent.

Dixons property and overseas investments continued to progress well.

To augment the group's capital and to help finance continued expansion, a £68m Euroconvertible bond was issued in December. The successful issue, targeted at European investors, was a further step in broadening the investor base.

Group profits for the 1985-86 year rose by 97 per cent to $78.1m.

See Lex

Howden profits slump to £1.5m midway

PROBLEMS with its Howden Compressor and Refrigeration Group and a wind farm in California, left interim pre-tax profits for Howden Group much reduced at £1.52m compared with £4.19m. Management action has been taken, but Mr R. C. Meech, chairman, expected that there would also be a fall in profits in the second half although not as high, proportionately as in the first half.

Turnover of the Glasgow-based engineer fell from £86m to £75m in the six months to end-October 1986. Earnings per share were 1.2p (4.3p), however the interim payment has been increased from 0.9p to 1.28p to reduce disparity.

The chairman said that the faults on the wind farm were the result of defective design and manufacture of blades, the work on which had been subcontracted. This would be done in future by James Howden.

It was expected the farm would be brought back into operation from the spring of 1987.

The rationalisation of the compressor and refrigeration group was well advanced, Mr Meech said. Companies had been closed or sold and Howden Compressors had been reorganised and now concentrated on making refrigeration compressors.

He added that other activities, which had not met expectations, had also been reorganised. The changes resulted in a property at Weybridge no longer being needed and being sold for £5.7m. The proceeds were set against the reorganisation costs, leaving extraordinary debits of £715,000.

● comment

Howden's reputation as a nice, safe defensive stock which could be relied on to produce steady if unspectacular annual earnings growth was looking distinctly tarnished yesterday. The problems at the Californian wind farm turned out to have been every bit as bad as had been feared, costing the group over £1m in profits, while the above-the-line costs of reorganising the compressor activities and making 120 employees redundant probably accounted for a similar figure. It would be reassuring to suppose that Howden's problems are now over, but the world power station equipment market is as depressed as ever and the attempts at diversification have yet to prove successful. Meanwhile the cash pile has been used up and there will be net debt at the year end. Forecasts of a £6m profit put the shares, unchanged at 84p, on a prospective p/e ratio of nearly 16 — a figure partly buoyed by the 7 per cent yield, but still looking bloated in the light of the unexciting prospects.

Enlarged CAP accelerates by 75% to £2m

CAP Group, one of the UK's leading computer software houses, continued to prosper during the first six months of the 1986-87 year and for the period lifted its profits to £2.17m at the pre-tax level.

That was 75 per cent above last time's £1.24m and only £0.54m short of the £2.71m attained for the 1985-86 year as a whole.

The directors said yesterday that prospects for services and products were strong throughout the group and added that it also had a high level of contracted work for the second six months, especially in the scientific division and for Gresham-CAP, the associate.

For the full year the directors were looking for further satisfactory growth in profits.

Turnover for the first half, to October 31 1986, pushed ahead from £25.38m to £33.77m.

● comment

CAP's shares have had a strong run since the announcement of Gresham-CAP's £85m submarine command system contract, so it was not surprising to see them falling back 2p to 196p on yesterday's figures. There was also the feeling in some *quarters that the organic* growth rate before the £486,000 contribution from Yarrow was unexciting, but this is to take a harsh view: it is, after all, too early to have seen positive contributions from either the submarine contract or BASE24's EFTPOS activities, and the shares' attractions rest more on the prospect of stable long-term earnings growth which these hold out than the likelihood of dramatic short-term gains. With £5.5m in sight this year, the prospective price/earnings ratio of 20 looks demanding, *and is probably being buoyed* by speculation over the presence of the Dutch computer services group Volmac with its 9 per cent stake. Yet the multiple is not wildly out of line with Logica's p/e of 18, and the possibility of early announcements on important EFTPOS contracts suggests that the shares should be able to make up yesterday's losses without difficulty.

Barrow Hepburn calls for share probe

By Clay Harris

Barrow Hepburn yesterday asked the London Stock Exchange to investigate this week's increase in the share price of Yule Catto, which is bidding for the chemicals and engineering company. It had already called the matter to the attention of the Takeover Panel.

From 248p last Friday, Yule Catto shares added 18p in a late flurry of buying on Monday, and 14p on Tuesday. The price rose yesterday by only 1p to 281p, although Morgan Grenfell, advising Yule Catto, had used 283p earlier in the day when it recalculated the value of the bid for Barrow.

Yule Catto said that the rise reflected the market's response to its profits estimate released at the weekend. The company continues to believe that its shares are undervalued.

Kleinwort Grieveson, Barrow's stockbrokers, said, however, that the increase on Monday came late in the day, shortly after the first closing date for the bid which produced acceptances representing only 2.67 per cent of shares.

"It is altogether just a little bit too convenient," Kleinwort Grieveson said. It argues that the price increase would minimise dilution for existing Yule Catto shareholders if the bidder subsequently increases or revises the paper portion of its offer.

Morgan Grenfell said yesterday that profit estimate had taken time to sink into the relatively narrow market in Yule Catto shares. "We do not think there is anything to investigate." The innuendo of Barrow's complaint was "quite wicked" in the present City climate.

The merchant bank said yesterday that Yule Catto's offer of one convertible preference share and 108p in cash or loan notes for every four Barrow shares was now worth 85½p, up from the original 82p figure. Barrow added 1p to 62p.

Asda-MFI hits £86m and plans further expansion

Asda-MFI, the supermarkets and furniture retailing group, yesterday revealed that its profits for the first six months of the 1986-87 year had risen from £76.4m to £86.1m at the pre-tax level, an improvement of 12.7 per cent.

Although the results were very much in line with City estimates the group's shares shed 8p to close at 154p.

Mr David Donne, who took over as chairman in October, said the improved results clearly demonstrated some of the benefits of the changes that were taking place.

He told shareholders that the most far-reaching organisational change had been the formation of a new group management structure and added that this was important if the group was to take advantage of its position as a dominant out-of-town retailer.

Looking to the future Mr Donne said that major increases from the new store programme for Asda (£160m is being spent on openings this year) would not come through until 1987-88.

However, he revealed that MFI and Allied Carpets were trading at levels well above last year, in spite of the lower-than-forecast demand in their sectors, and their store expansion would be at a similar level to that in the first half.

He summed up: "Although changes will take time, the strength in depth of our management and our unique position in out-of-town retailing place the group in a very strong position. I look forward to a satisfying outcome to the year."

The opening 28 weeks to November 15 1986 saw group turnover expand from £1.26bn to £1.35bn (excluding Vat) and profits at the operating level push ahead from £73.5m to £83.9m. Net interest income added £2.2m (£2.9m) to the pre-tax result.

Tax rose by £4.4m to £28m and left the available balance at £58.1m compared with a previuos £52.8m.

Earnings improved to 5.1p (4.65p) and the interim dividend is being lifted from 1.25p to 1.37p net per 25p share.

A breakdown of turnover and operating profits by division shows: Asda Stores £1.02bn (£961.6m) and £51.6m (£43m). Associated Fresh Foods £95.2m (£91.8m) and £6.5m (same), MFI Furniture £222m (£195.4m) and £23.7m (£22.6m) and Allied Retailers £57.3m (£47.2m) and £4m (£3.5m). Miscellaneous trading added a same-again £0.2m to profits. Overheads accounted for £2.1m (£2.5m).

Mr Donne said the 6 per cent increase in turnover at Asda was lower than might have been expected because of the swift and successful introduction of own-brand items which have a lower shelf price.

Own label goods accounted for over 15 per cent of turnover in the half year. In eighteen months' time own-brands could make up 30 per cent of turnover.

In profit terms, both MFI and Allied got off to a slow start to the year due to the high cost of introducing new ranges as well as the opening of new stores.

During the half year MFI and Allied expanded their store network by a total of 430,000 sq ft. Mr Donne said that as the period progressed, the benefits from these developments began to have an effect and both companies traded strongly in the latter months.

See Lex

Parkfield hits £2.6m and is encouraged by outlook

Parkfield Group, supplier of iron castings and a distributor of records, video cassettes and consumer electrical items, raised its profits from a restated £2m to £2.63m during the six months to October 31 1986.

The group began the second half strongly

Turnover for the first half rose from £46m to £52.15m of which the distribution side contributed £38.19m (£32.25m).

Tax took £919,000 (£802,000) and left earnings at 5.62p (3.9p) per 2p share. The interim dividend is being lifted from an adjusted 0.48p after allowing for the share sub-division to 1p net.

● comment

It is hard to keep up with Parkfield's breakneck pace of acquisitions — nine companies were bought in the last calendar year—and the interim results resemble a polaroid of a greyhound in full flight. Using merger accounting, the underlying growth rate is around 44 per cent but so many of the companies are recent purchases that such a growth figure pays more tribute to the previous management than to Parkfield. Nevertheless, it seems clear that the distribution activities are expanding fast and that the original foundry business is reaping the benefits as competitors drop out. This half's acquisitions will probably be smaller, "bolt-on" companies but with the cold winter and Christmas benefiting J. and B. Labone and Lightning respectively, pre-tax profits should reach £8.5m this year. Main market investors will be able to look at Parkfield this year; at 212p, on a fully-diluted prospective p/e of 12.5, they are likely to be impressed with the growth prospects.

W. A. Tyzack turns down merger talks

By Nikki Tait

An offer of merger talks has been turned down by W. A. Tyzack, the Sheffield-based precision engineers.

The approach came from Noble and Lund, the Tyneside machine tools manufacturer.

According to Tyzack, it was contacted with a request for an early meeting "which might or might not lead to an offer for the company." But Mr Frank Davis, managing director of Tyzack said: "We said no, because we are busy with other things."

Last November, Tyzack announced agreement in principle to purchase a privately-owned machine knives business, A. R. Heathcote, but the deal has not yet been completed.

Yesterday, Tyzack shares, which started the year at 62p, jumped 24p to 102p on the news.

Enterprise chief outlines the benefits of a merger

BY LUCY KELLAWAY

THE proposed £115m merger between Enterprise Oil and ICI's oil and gas interests would bring together "two financially strong and complementary businesses" and position the company to become a "major force in the independent oil and gas sector."

The message was contained in a letter from Mr William Bell, chairman of Enterprise, sent yesterday to shareholders with the official offer document for the deal.

On the company's immediate prospects Mr Bell warned that oil prices would probably remain volatile this year, but that the company nevertheless "views the future with some confidence."

In 1985 ICI's oil and gas interests made net profits of £23m, compared to a peak of £35m the previous year. No figures are available on ICI's performance last year.

ICI's oil acreage consists of 30 blocks on the UK Continental Shelf, one UK onshore licence and interests in Indonesia, where it has made a promising discovery, Denmark and Canada. The main asset is an 18.5 per cent stake in the giant Ninian field. This forms the largest part of ICI's proven and probable reserves of about 100m barrels.

The merger would result in ICI getting 25 per cent of Enterprise shares. Under the terms of the deal ICI is not allowed to make a full bid for the company or dispose of shares until 1991, except in special circumstances.

Tarmac wins control of Feb Intl via £8m bid

BY CLAY HARRIS

TARMAC, Britain's largest building materials and construction group, is to pay £8m for Feb International, the chemicals manufacturer and distributor.

Feb lost £716,000 before tax on sales of £20.8m in 1985, but recovered to an interim profit of £152,000. It has predicted a significant increase in profit in

The takeover will also mark the retirement as chairman and managing director of Mr Gordon Fisher, who was a co-founder of the company in the 1950s. His son, Mr Graham Fisher, will become managing director.

Tarmac is to pay 155p in cash, with a 34-for-100 share alternative, for Feb ordinary shares and 105p, or 23-for-100, for non-voting shares. Tarmac said that the share alternative was included at the request of Feb, where voting control was concentrated in the hands of directors and a widely extended family.

Feb shares rose to the cash offer prices from the 108p and 76p levels at which they had been suspended last Wednesday. With Tarmac 9p lower at 453p, the share alternatives are worth about 1p less than the cash offer in each case.

The offer has been accepted in respect of 71.5 per cent of voting shares and 14 per cent of non-voting shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Asda-MFI ....int	1.37	Mar 9	1.25	—	3.15
Sidney C. Banks ...int	4	Apr 6	3.5	—	11.5
Bespak ....int	1.75	Feb 26	1.75	—	4.25
CAP Group ....int	0.6	Feb 27	0.5	—	1.5
Celtic Haven ....int	‡0.25	Mar 30	0.25	—	0.75
Dixons ....int	1.2	Mar 2	0.58*	—	3*
Fleming Claverhouse	3.95	Mar 31	3.7*	5.65	5.08*
Howden ....int	‖1.28	Mar 2	0.9	—	3.85
First Security ......int	1.5	Feb 26	1.2	—	3.5
M & G Dual	18.05	—	15.55	33.7	28.75
Multitone Elect ...int	nil	—	nil	—	0.1
Parkfield Group ...int	‡1	—	0.48¶	—	1.44¶
Stead & Simpson ...int	1.3	Feb 26	1.1	—	3.55

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for sub-division. ‖ To reduce disparity.

UK COMPANY NEWS

Nick Garnett on the proposed merger of APV with Baker Perkins

Industrial synergy in the making

THE MERGER of APV and Baker Perkins, expected to be announced today, represents an attempt to marry the strengths and dilute the weaknesses of two of the foremost UK based engineering companies.

The formation of such a grouping with total sales of £700m and its main strength in food and drink processing equipment would seem to have some unbeatable industrial logic for two companies with an international outlook on marketing.

It also reflects, however, the substantial changes reshaping the brewing and food manufacturing industries to which these companies supply equipment.

Machinery makers are now having to cope with a world in which the boundaries between food and drink companies are blurring and the trend is moving towards big turnkey contracts.

APV had a turnover of £440m in 1986 and profits of about £27m. Of its total sales £150m derive from dairy machinery of one type or another used in producing milk, cheese and yoghurt and including homogenisation and pasturisation equipment.

Another £150m comes from machinery making beer, soft drinks and concentrated tropical fruits.

One important connecting strand through all this equipment is that it is designed to process liquids, with a marked bias to cold or freezing operations.

APV does make some machinery producing solid substances such as chocolates as well as some pharmaceutical, biotechnology and chemical machinery but these operations are much smaller.

Baker Perkins, employing 5,600 with a £260m turnover obtains £175m of its sales from packaging machinery and food manufacturing equipment specially designed for bread and confectionery production, biscuits, cereals and snack food.

The company therefore specialises in machinery for making solid foods with a bias to hot operations.

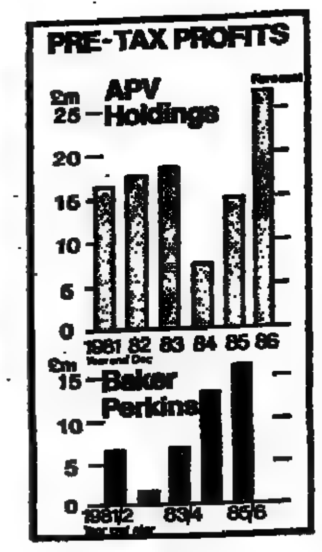
Baker Perkins' other sizeable operation is the manufacture of printing machinery with sales of almost £80m.

APV made it quite clear last year that it needed to move much more into the manufacture of equipment to produce solid snack foods where margins were higher, medium term growth healthy and where many of Baker Perkins strengths lie.

As an indication of that thinking APV recently purchased Magnatronix which makes equipment for producing microwaves and which APV is now incorporating in a new range of equipment.

Mr Fred Smith, the 55-year-old Australian chief executive of APV, said yesterday, however, that the merger with Baker Perkins has been in his mind for a long time and represented an almost perfect industrial synergy though there would need to be some rationalisation.

Mr Fred Smith, chief executive of APV



"It is the one merger I've really believed in on industrial grounds recently," says Mr Alan Coats of brokers Quilter Goodison. You can see why.

For one thing, Mr Smith emphasises that the boundaries between brewing and food processing are becoming more blurred. Anheuser-Busch, the US brewing giant, has also become North America's biggest baker following a series of acquisitions.

For another big dairies and producers of beverages and food are now requiring equipment makers to carry out far more large-scale turnkey projects arranging the supply of all equipment from process control to packaging.

APV has a lot of experience in contract management and it recently combined its Hall and APV International contracting businesses to give greater strength in international markets.

Baker Perkins has much less experience in turnkey operations so would benefit from APV's background. It also seems likely that APV which has much lower gearing than Baker Perkins will help to provide extra funding for research and development on Baker Perkins equipment which are in potentially better growth markets than some of APVs.

Baker Perkins in turn has an unrivalled reputation for engineering skills and is a European leader in computer aided manufacturing

There are other apparent links in equipment between the two companies. For example many of the food and drink processing activities for which the companies make equipment use the same valves and pumps. Baker Perkins does not make these but APV does as well as being a leading maker of control equipment.

Some technologies are also shared by the companies. They are both specialists in hygiene control, the fermentation processes for bread and beer production are similar and they are both making equipment in the field of biotechnology.

Mr Smith also said yesterday that though both companies sold equipment all over the world there were a number of countries were one had a much stronger marketing position than the other and a merger would benefit both of them.

Cadbury in Canadian disposal

BY LISA WOOD

Cadbury Schweppes, the UK-based confectionery and soft drinks group, is to sell its Canadian chocolate business to George Weston, the Canadian-based food processing and forest products group for C$47m.

The sale comes after a period of disposals and rationalisation at Cadbury Schweppes which, with its gearing as a percentage of shareholders' funds significantly reduced, could be poised for acquisitions.

Cadbury's Canadian confectionery business has been causing it problems for some time

While problems in the US are said to have been ironed out, the group has said that there needed to be a rationalisation of the Canadian confectionery market.

Cadbury said yesterday that it had been looking to either acquire another confectionery business, or to sell its activities. Under the deal with William Neilson, a subsidiary of Weston, long-term licensing agreements have been made for Cadbury's brands to continue to be manufactured with the group getting a royalty on sales.

The sale, with the price at about C$7m over asset values, will create one of the largest confectionery companies in Canada with a combined market share of about 33 per cent worth about C$150m.

Neilson is to close Cadbury's manufacturing plant at Whitby, Toronto, and manufacture Cadbury brands at its own plants. Cadbury lines on sale in Canada include Dairy Milk, Caramilk, cream eggs and Crunchie.

Cadbury said the plant closure was one of the keys to the future success of the combined business which would have a lower cost basis and other efficiencies such as a merged marketing force.

The major player in the highly competitive Canadian confectionery market is Rowntree Mackintosh, the York-based confectioner, with others including Mars and Hershey.

Bespak recovers to £759,000

Bespak, manufacturer of specialised aerosol valve systems, returned pre-tax profits of £759,000 for the half year to October 31 1986, a sharp improvement on last time's depressed £56,000.

The interim dividend is a same-again 1.75p net. The directors said the position would be reviewed at year-end to decide whether the results and the prospects for the future justified an increase in the total.

They said the current year was one of consolidation and that the first half was in line with expectations. An improved performance was looked for in the second half.

Turnover for the first half totalled £6.16m (£5.04m). Tax accounted for £258,000 (£10,000) and earnings amounted to 2.7p (0.3p) per 10p share.

● comment

This is the second set of half year figures showing that Bespak has firmly got itself on the recovery path. The shutting down of the filled fire extinguisher activity, which burnt a great hole in the first half 1985-1986 results, has fulfilled half of what the City is looking for in improving the company's earnings quality. The other half is to reduce dependence on Glaxo—which purchases the majority of Bespak's pharmaceutical valves. The solving of the teething problems with the BK356 valve should mean that there are good prospects of winning major orders from leading drug companies and hence a better customer spread. This year £1.6m pre-tax is likely, which puts the shares, up 6p at 132p, on a prospective multiple of 16½. On a seventeen month view, forecasts for the year to May 1988 are for £2.3m, the rating slips to 12, surely an unjustifiable discount to longer range predictions for the market as a whole.

L and N attacks Demerger bid

BY NIKKI TAIT

London and Northern Group, construction, energy and healthcare company, for which Demerger Two is making an unwanted £90m bid, yesterday dismissed the offer as "implausible and commercially ill-conceived."

The bid, it argues in its defence document, would leave shareholders with a substantially reduced share in the businesses they already own. Demerger Two wants to split the group into four companies and re-float them. But L and N argued in the document that the value of shareholdings would be reduced by the expenses of the offer, "which Demerger Two has estimated at up to £3.6m," the siphoning off of 10.8 per cent of the equity by Demerger Two's backers at a profit to them of £8.8m, and the "seriously damaging effect of the break-up on the combined prospects of the businesses."

L and N also revealed that it had received about £2m on account from the government of the United Arab Emirates, part of the £25m owed in contract receipts from its management of the Sharjah hospital.

Commenting on the document yesterday, Mr Peter Earl, a director of Ifincorp, Earl, which is advising Demerger, said it was "a lot of flannel."

"They don't say anything constructive about the future of the business.

Highams has near 60% of MSCC

Highams' bid for the Manchester Ship Canal Company ended yesterday with the Lancashire textiles group owning "between 58 and 60 per cent" of the equity and confident that despite the complexities of a weighted voting structure, it now has control.

Last night Highams' owner, Mr John Whittaker, the Rossendale-based property developer, said: "I am very, very satisfied. We are now going to get on with running the MSCC and developing its potential."

Mr Whittaker said that this would take all the company's resources and no dividends would be paid for many years. Minority shareholders who had resisted the bid were now "locked in."

UK COMPANY NEWS

Utd. Technologies buys 9.9% of First Security

BY TERRY POVEY

First Security Group yesterday announced interim pre-tax profits ahead from £490,000 to £793,000 and the acquisition by United Technologies of the US of a 9.9 per cent stake in the UK company.

At present British Car Auctions holds a 44.9 per cent stake in First Security, which manufactures automotive, fire and security sensors. With BCA's agreement, United Technologies is to pay £1.7m net of expenses for 851,167 new shares in First Security, around 200p a share. If shareholders approve the subscription offer, the US company will have a 9.9 per cent stake in the expanded group.

In addition, United Technologies and key members of the First Security board have got from BCA, which is run by Mr David Wickens, an agreement that in the event of it wishing to sell any of its shares, they will be allowed to match any third party offer. The car auction company will have a 40.2 per cent stake after the subscription issue.

Mr Edward Irving of United Technologies said yesterday that his "$15bn company looked on its First Security investment as seed money." UT has no competing technology inhouse but is very much in the sensor business, he said. "We do not make passive investments," added Mr Irving.

In the six months to October 31, First Security reports turnover of £6m (£3.8m) and operating profits of £817,000 (£465,000). Of the £303,000 increase in pre-tax profits some £200,000 came from the first time contribution of Fire Fighting Enterprises (UK) acquired for £1.4m at the end of 1985.

Earnings per share were given as 6.1p (3.9p) on after-tax profits of £516,000 (£308,000). An increased interim dividend of 1.5p (1.2p) is to be paid.

Dr Fred Westlake, First Security's chairman and chief executive, said that a restructuring of the company into three profit centres was aiding organic growth and that the UT link would assist it in riding out the risks inherent in the electronics business.

● comment

First Security and its new partner United Technologies appear to have gone to some lengths to prepare for Mr Wickins' sale of his stake. It was news of the US giant's interest that pushed the shares up 25p to 250p yesterday rather than the fairly average 20 per cent organic growth rate reported. This year £1.7m pre-tax produces, on a weighted share capital, a prospective p/e of 19. However, the prospect of unwinding the BCA overhang in a way that will not flood the market with stock is bound to be the main short-term attraction. The longer-term view is less certain for unless UT moves to take over the whole company, the seeking after parental protection smacks of lack of confidence on First Securities part.

Poor summer hits Stead & Simpson's footwear sales

A PARTICULARLY inclement summer was extremely disadvantageous to footwear retailing and Stead & Simpson's trading profits in this division fell from £2.22m to £2.04m, a decline of some 8 per cent, in the six months to September 30 1986.

Motor trading increased by 45.7 per cent from £398,0000 to £580,000 and helped group pre-tax profits to rise from £2.40m to £2.5m. The directors said they expected profits for the full year to be well ahead of last year.

Piquet Computer Services, which was acquired in June 1986, is already making a modest contribution to profits, but because of poor results achieved by Charisma Home Parties, it was decided to cease trading and the assets were sold in September — the losses of Charisma for the current year have been written off against extraordinary profits.

Group turnover in the opening half was 11 per cent ahead at £34.89m compared with £31.42m. This was excluding VAT. Footwear retailing was 6 per cent higher at £20.5m (£19.33m), but motor trading rose by nearly 23 per cent to £14.39m (£11.71m).

The interim dividend is raised from 1.1p to 1.2p net and absorbs £693,000 (£633,000). It is anticipated that the final dividend will not be less than the 2.45p paid last year from pre-tax profits of £3.06m.

Stated earnings per ordinary and "A" ordinary (non-voting) shares was 2.73p against 2.59p.

Hanson/Bowater

Hanson Trust yesterday confirmed that it has reduced its interest in Bowater, the packaging group, below the disclosable 5 per cent level. Last Friday, Hanson's broker Hoare Govett sold 6m Bowater shares to Alexanders Laing & Cruickshank, acting on behalf of four institutional clients.

Westpool Inv Tst

A 19 per cent increase in the final dividend paid by its London Merchant Securities subsidiary was the main contributor to the rise in half-year pre-tax profits at Westpool Investment Trust.

The figure for the six months to end-October 1986 was up 9 per cent from £1.8m to £2m. Gross income totalled £2.24m (£2m). The LMS dividend amounted to £2.1m (£1.73m). In the half-year ending September LMS made a pre-tax profit of £1.24m.

The group interim dividend is being raised to 0.35p (0.344p).

Sidney C. Banks progresses

Sidney C. Banks, grain and agricultural merchant, increased its pre-tax profits from £1.21m to £1.41m in the six months to October 31 1986. The interim dividend is raised from 3.5p to 4p net—last year's total was 11.5p from pre-tax profits of £2.4m.

The directors said yesterday that the harvest for 1986 had provided a large tonnage. Although the quality had been mixed, market conditions were highly competitive, but the company's traders had been able to take advantage of opportunities.

They said they expected progress to be maintained in the second half.

Group turnover in the opening half rose from £56.91m to £63.39m. There was a higher tax charge of £509,000 (£496,000). Stated earnings per 25p share improved from 21.7p to 27.1p.

CU new life

Commercial Union Assurance, the UK-based composite insurer, has followed other British insurance companies by anouncing a big jump in new life and pensions premiums last year.

CU's new worldwide premiums for long-term business rose 52 per cent in 1986 to £334.6m, in line with industry averages. New annual premiums were £85.6m, against £64.3m in 1985. Single premiums totalled £249m, up from £156.2m.

Excluding exchange rate movements, this represented an increase of 22 per cent in annual premiums and 48 per cent in single premiums, CU said.

Multitone trims its losses

Multitone Electronics reduced its pre-tax losses from £735,000 to £235,000 in the six months to September 30 1986, but again omits the interim dividend—a final of 0.1p was paid at the year-end, despite losses of £1.44m.

This specialised communications systems designer and manufacturer increased its turnover from £8.04m to £9.87m, and had trading profits of £22,000 against losses of £577,000. The pre-tax loss was after net interest charges up from £178,000 to £257,000.

There was a tax charge, for certain overseas subsidiaries, of £57,000 (£100,000). The loss per share was 1.9p against 5.6p.

The directors said turnover had started to benefit from new products. The wide spread of applications for these products was illustrated by three contracts secured in 1986—from Lloyd's of London; from Taiwan, and from the Klinici Centre.

Group order intake in the year to date and the current order book gave the directors reasonable grounds for expecting that the second half would also show a significant improvement over the same period last year.

Fleming Overseas

Although Fleming Overseas Investment Trust is holding its interim dividend at 1p net the company warned yesterday that earnings for the full year indicated that the final would be not less than 1p. That would reduce the total by 0.75p.

In a statement last September the company anticipated a reduction in the dividend for 1986-87 and stressed that shareholders should be prepared to accept a fluctuating level of dividend

UK Land revises bid

BY MARTIN DICKSON

UK Land said that it intended to make a revised partial offer to acquire up to 29.13 per cent of Wynnstay Properties, a company quoted on the over the counter market, at a price of 107p a share.

If accepted in full, the offer would cost it £894,416.

UK Land already owns 25,024 Wynnstay shares and the partial offer would lift its stake to just under 30 per cent — the level which triggers a full bid.

UK Land said it regarded the stake as a long term investment and did not wish to make a general offer at this time. However, it reserved the right to do so if the offer was over-subscribed or if there was a material change of circumstance.

Gnome Photographic

Gnome Photographic Products attributes the improvement in first-half pre-tax profits from £213,137 to £230,462 to a small rise in margins and higher sales. These amounted to £1.08m, up from £1m in the comparable period of last year.

Profits on sales of quoted investments brought in £40,190 (£28,027). Earnings per share rose 14 per cent from 5.22p to 5.95p. The chairman expects the performance to continue for the rest of the year.

Celtic Haven rises

Celtic Haven, engineer and building contractor, reported interim pre-tax profits ahead by 2¼ times at £224,600, against £97,800. Directors said that all operating companies contributed to the increase.

Turnover in the six months to the end of September 1986 doubled to £3.94m (£1.9m). After tax of £78,610 (£29,330) earnings per 5p share came out at 1.96p (1.3p). The interim dividend is being held at 0.25p.

The directors expected that the acquisition of West Investments would have a significant impact.

Wyko downturn

The Wyko Group, which experienced a profits setback in the second six months of the 1985-86 year, saw the trend continue during the first half of the current year.

Although sales for the period to October 31 1986 pushed ahead by £1.03m to £16.56m profits at the pre-tax level fell from £1.01m to £904,000—the USM group distributes bearings and power transmission components.

The interim dividend is a same-again 1.1p net.

TSB Channel Islands

Pre-tax profits of TSB Channel Islands, a subsidiary of the mainland banking group, rose from £3.95m to £5.46m in the year to November 20, the figure forecast last November at the time of the USM flotation.

The directors viewed the current year with confidence but said that after the exceptionally strong performance of 1985-86, profits were not expected to grow at the same rate.

Blair

Reflecting a cut in interest charges from £178,000 to £119,000, pre-tax profits of George Blair, maker of cast steel products, rose by £20,000 to £272,000 for the half year to September 27, 1986.

First-half attributable loss, after the extraordinary item and tax of £57,000 (nil) was £53,000, against a £252,000 profit previously. The interim dividend is 1.15p, costing £21,000.

Lowe

PRE-TAX profits of Robert H. Lowe, clothing manufacturer, more than doubled from £251,000 to £528,000 for the year ended October 31 1986. Turnover was some £1m higher at £9.19m.

Following the restoration of the interim dividend, a final of 1.2p is now declared making a total of 1.7p (nil). Earnings per 25p share rose from 7.76p to 16.02p.

BOARD MEETINGS

TODAY

Interims: Armour Trust, Jones Stroud, Norbain Electronics.

Finals: Eurotherm International, Investors Capital Trust, Oakwood, Raeburn Investment Trust, Trusthouse Forte.

FUTURE DATES

Interims—	
BCE Holdings	Jan 28
Hillards	Jan 26
Independent Investment	Jan 22
Kewill Systems	Jan 20
Somerville (William)	Jan 30
Victor Products	Feb 4
Finals—	
Burndene Investments	Jan 20
Crowther (John)	Mar 3
Energy Res. and Services	Jan 20
Kershaw (A.)	Jan 29
Leda Investment Trust	Jan 27
Lookers	Jan 20
Rank Organisation	Jan 29
Sandvik AB	Apr 12
TSL	Jan 20

Newman Tonks

Due to a typographical error Newman Tonks was described as highly geared in Wednesday's Financial Times. As the news story made clear, the group has net debts some 15 per cent of shareholders funds and is therefore lightly geared.

APPOINTMENTS

Management changes at 3M

The following appointments have been made at 3M UNITED KINGDOM: Mr Roger Lacey joins the operating management committee as general manager of the electro-telecomm division, (he succeeds Mr Peter Cox who has been transferred to 3M Europe as a group director); Mr Mike Smith has become company treasurer (he was financial director of Gratispool International Holdings), Mr Mike Walsh, company treasurer, becomes general manager, management and information systems; Mr Peter Pring, general manager personnel, is made general manager customer and external affairs; Mr John Cowland) director, business products and central marketing divisions) becomes personnel director; Mr Mike Atkins (director of photo and graphic arts division) adds business products and corporate quality, Mr Clive Griffiths becomes general manager, distribution and management services; and Mr Alan Jepps, (general manager, traffic, graphic, safety and security systems division) adds marketing planning and marketing information departments.

★

PEAT MARWICK has appointed two new partners, Mr Toby Turl and Mr Peter Targett, to the London management consultancy practice.

★

STEWART McCOLL ASSOCIATES has appointed Mr Geoffrey Reid to its board. He is managing director of Geoffrey Reid Associates which became part of Stewart McColl Associates in April 1986.

★

SHISEIDO, Tokyo, has established a wholly-owned trading company, Shiseido UK Co, and has appointed Mr John B. Karp as managing director and chief operating officer of Shiseido UK; Mr Takanori Takeuchi as chairman of the board and Mr Shinsaku Sugiyama as director. Both Mr Karp and Mr Sugiyama will be based in London.

★

CONSULTANTS (COMPUTER AND FINANCIAL), a City systems house specialising in the securities and banking sectors, has appointed Mr Peter Atkins as production director for its banking division. Mr Atkins, who also joins the board of CCF (UK), has made the move to London from New York, where he was one of the founders of Ultimate Data Systems Inc., the US financial services software house which CCF acquired in mid-1985.

★

Mr Alan Swinburne, financial controller, joins the board of UNITED MAGAZINES as financial director, in addition to his responsibilities as financial director of Link House Magazines. Mr Clifford Jakes, executive director of United Newspapers, and Mr Andrew Ross, chairman and publisher of The Countryman and Geographical Magazine, join the board of Punch Publications. Mr Melvyn Phillips, circulation sales manager of Newstrade Link, joins the board of United Magazine Distribution with responsibility as sales director of the Newstrade Link division.

★

Mr Stephen Ferriss has joined BANKERS TRUST COMPANY as managing director responsible for the bank's business in Spain. Previously with Bank of America NT and SA, Mr Ferriss continues to be based in Madrid.

★

Mr Michael F. Ellis has been appointed a director of OUTHWAITE AND GREEN.

★

The panel products division of Marley Building Products has become Marley Building Systems. This follows a decision to form the concrete block paving division into a separate company, MARLEY BUILDING PRODUCTS has become Marley Building Sys- Mr Ted Ketteringham as managing director. He succeeds Mr Paul Stevens who leaves to become vice-president of Marley USA.

★

Mr D. T. (Squire) Wilkins has been appointed a non-executive director of FR GROUP. He is a non-executive director of J. Bibby & Sons, and recently retired from the board of Reed International.

★

Mr John Zarno has been appointed managing director of CASTELL SAFETY INTERNATIONAL. He joins from PA Management Consultants.

★

Further to its offer for Lynton Holdings having become unconditional, PROPERTY & REVER-

★

Mr Stephen Jones has been appointed to the board of SWAN COURT GROUP Wimbledon.

★

Mr Michael Warburg has been appointed deputy chairman and chief executive of ROLFE & NOLAN COMPUTER SERVICES. He was managing director of Extel Financial.

★

Mr Brian Talbot has been appointed to the board of POINTON YORK (PENSIONS AND INVESTMENT) from February 1. He was a divisional director.

★

LAWSON MARDON has made the following appointments:— Mr R. A. Mitchell has been appointed deputy managing director of Smith Brothers (Whitehaven) and retains responsibility for production. Mr S. Livesey is made technical director of Celloglas.

Company Notices

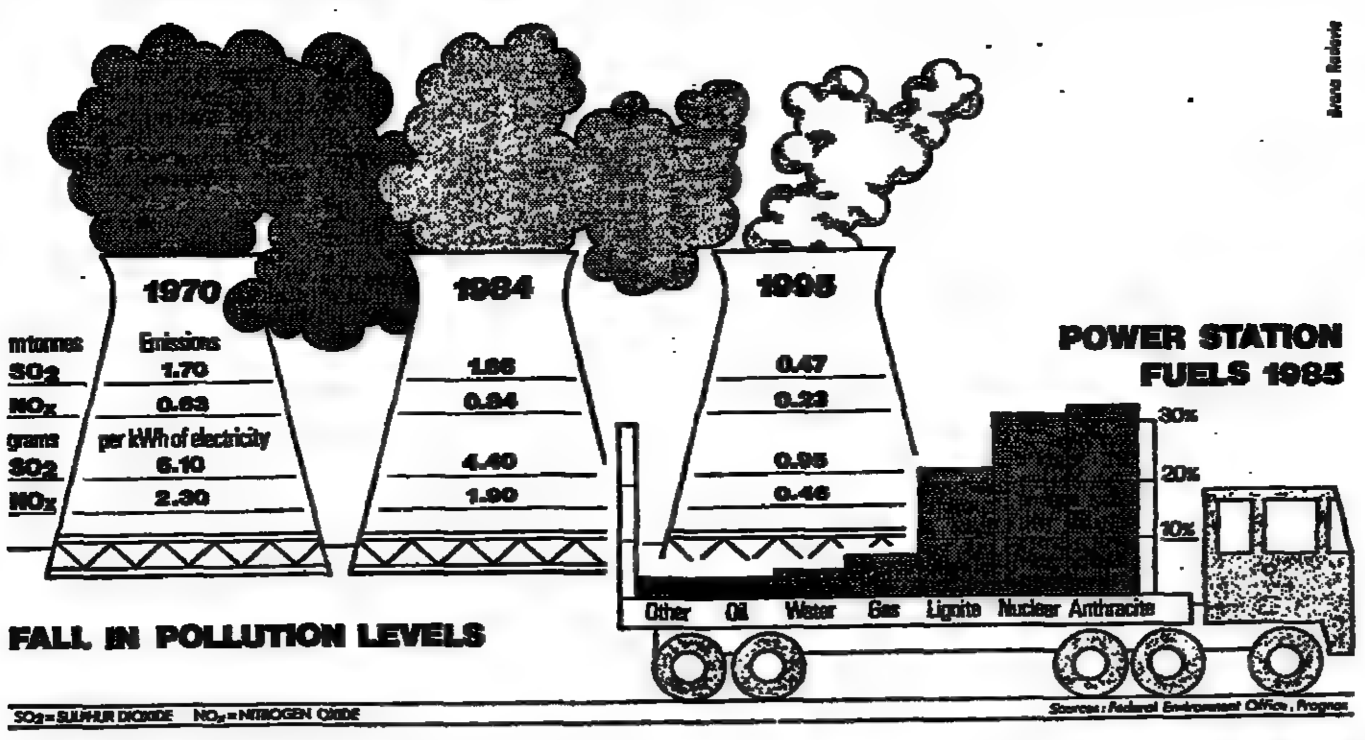
Personal

TECHNOLOGY

Ausstieg and worries over the environment have meant a bonanza for the West German companies brought in to clear-up pollution from conventional power stations. This in turn has created a springboard from which to export their new-found expertise

Old king coal makes merry in nuclear gloom

By DAVID MARSH in BONN



WEST GERMAN *sensitivity* about the environment, combined with the trauma unleashed by the Chernobyl nuclear accident, has helped drive up the cost of electricity generation and has cast the country's nuclear business into a state of gloom.

But while one part of industry might be worried about talk of a nuclear Ausstieg (exit), ecological anxieties have provided a bonanza for the handful of high-technology manufacturers supplying equipment to clean up the country's coal-fired power stations.

The Federal Republic *is* likely to rely much more heavily in coming years on coal for electricity generation than was foreseen during the period of nuclear optimism only a decade ago.

Pollution control at power stations, above all to lower sulphur dioxide and nitrogen oxide emissions, is a result of tough clean air rules decided in 1983 and 1984 because of worries about "acid rain" killing forests and harming health.

The cost of the measures, being introduced progressively up to 1993, is estimated by the Government at a total DM 28bn (£9.85bn). This will weigh heavily on the nation's electricity bill.

Rheinisch Westfaelisches Elektrizitaetswerk (RWE), the nation's largest utility and also the one with the largest concentration of anthracite and lignite-fired plants, for instance is investing DM 5.3bn between 1984 and 1988 on desulphurisation equipment *alone. This expenditure* is estimated to push up RWE's electricity production costs from coal-fired stations by roughly 2.5 to 3 pfennigs per kiloWatt hour, depending on the site—an increase of roughly 20 per cent.

The original technology for lowering emissions of sulphur dioxide and nitrogen oxides from power stations—planned to be cut by 70 per cent over the decade to 1995 according to the Government programme—is derived mainly from the US and Japan.

But West German engineering and plant construction companies are being given valuable experience in building and operating pollution control equipment which is granting them important references for winning foreign orders.

A mountain of gypsum produced by clean-up processes is giving the plaster industry a major headache.

And the flow of incoming orders for companies such as Deutsche Babcock, Thyssen and Lurgi has compensated for slack business in more traditional engineering areas over the past two years.

Under the German requirements, furnaces with a thermal capacity of 300 MegaWatts (MW) or more have to reduce emissions of sulphur dioxide to *400 milligrammes (mg) per* cubic metre and of nitrogen oxides to 200 mg.

Tighter limits are also set for pollution through dust, noise and waste water. Most of the limits come into force in 1988. An interim arrangement allows older plant, which is due to be closed in the next few years anyway, to operate at higher levels until 1993.

"The *German legislation* (on air pollution) is the most consistent and progressive in the world," says Mr Helmut Lange, managing director of Thyssen Engineering, a subsidiary of the *giant steel group*. With orders to lower emissions at about 5,000 MW of West German power station capacity, Thyssen Engineering is one of the country's leading suppliers *of* desulphurisation plants.

Pointing out that an increasing number of countries—especially those in eastern Europe—are now worried about air pollution, he says: "This *gives us good chances abroad*—under the condition that other countries have stringent legislation, too."

Apart from Britain—where acid rain is now being taken *seriously* by the Government—West German companies have their eye on possible business in coming years from power stations in Czechoslovakia, East Germany, Greece, Turkey and Yugoslavia.

"For a long period, the US and Japan were 10 years ahead of Germany on cleaning up flue gases," says Mr Ulrich Neumann, technology manager at Frankfurt-based Davy McKee, part of Davy Corporation of the UK.

The company sells a desulphurisation system based on the US-developed Wellman-Lord chemical process which regenerates marketable sulphur products such as sulphuric acids.

"These ideas took time to be introduced," says Mr Neumann. "But we have now adapted and improved processes from abroad—giving West Germany a pioneering role."

The statement is backed up by the recent success of Saarberg-Hoelter Umwelttechnik, a Saarbrucken-based *joint* venture between the publicly-owned Saarbergwerke energy group and family-owned Hoelter, in making a desulphurisation breakthrough in Japan.

The large volume of West German anti-pollution orders illustrates how domestic companies are not only helping to scale down the environmental damage from any gradual German nuclear Ausstieg—but are also being given a springboard to win international business.

A key argument advanced by the Bonn Government and the electricity industry against any short-term renunciation of atomic energy is that this would make necessary more coal- and oil-burning power stations and so increase air pollution.

A short-term Ausstieg would bring about an increase in annual amounts of sulphur dioxide and nitrogen oxides pumped out into the atmosphere of 50,000 and 300,000 tonnes respectively, the Government believes.

However, these figures are dwarfed by the overall reduction in air pollution likely to be achieved over the next few years thanks to the clean-up measures being pushed through by utilities. Overall sulphur dioxide emissions from power stations and large industry furnaces will be reduced over the decade to 1993 from 2m tonnes to only about 500,000 tonnes, the *Government estimates*. It is calculated that releases of nitrogen oxides from the same sources over this time will fall by 700,000 tonnes to 300,000 tonnes.

Of the roughly 44,000 MW *of* power station capacity which comes under the West German air pollution regulations, about 90 per cent of the plants have opted for desulphurisation systems using limestone to produce calcium sulphate or gypsum.

The West German plaster industry is worried that the new supplies will upset the market, geared mainly to the construction sector which uses gypsum for plasterboard and to add to cement.

Davy has won desulphurisation orders so far to equip only four West German power stations.

"The growing gypsum mountain could produce some problems," says Mr Klaus Comperl, Davy's chief executive in Frankfurt. "When utilities come to renew desulphurisation plants, they could opt for the Wellman-Lord process, which produces products like sulphur and sulphuric acid."

The main companies which have contested the West German market for desulphurisation equipment are also battling to win orders for plant to reduce nitrogen oxide releases.

West German companies marketing methods to absorb nitrogen oxides (using a process in which the oxides react with ammonia to form nitrogen, under the impact of specific catalysts) include Deutsche Babcock Energie und Verfahrenstechnik (EVT), Steinmueller, Thyssen and Saarberg-Hoelter-Lurgi.

Almost all depend on Japanese licences under partnership contracts with Japanese groups. Bemoaning the Japanese zeal in patenting the main substances—oxides of metals like chromium, molybdenum, nickel, vanadium and wolfram—which could be used as catalysts in desulphurisation processes, Mr Lang of Thyssen says: "We were forced to take licences." West German companies could have developed their own technology, he claims, only if the Government had been prepared to delay for two years introduction of the new nitrogen oxide rules.

As it is, the Federal Republic is gearing up fully to adopt the use of Japanese methods to control nitrogen oxide emissions. A cluster of West Germany's leading speciality metals groups, including BASF, Siemens and Degussa, has recently signed up technology transfer *agreements* with the Japanese to produce 10,000 cubic metres a year of special catalysts needed for cleaning up emissions from the Federal Republic's power stations from 1987-88 onwards.

Much to learn from isolated example

WEST Berlin offers the perfect example of how West Germany as a whole would have to cope if, one day, the proponents of a nuclear Ausstieg had their way.

The city of 2m *inhabitants*, one of the most heavily industrialised conurbations in Europe, is completely dependent on fossil fuel for electricity generation.

And the city's utility, Berliner Kraft und Licht (Bewag), is spending DM 2.5bn, spread over several years, to clean up its power stations in what ranks as one of the most densely-packed electricity production systems in the world.

With about 75 per cent of power coming from anthracite and lignite-fired plants, and 25 per cent from oil, electricity costs are substantially above the Federal Republic average.

Costs are pushed up not only by the higher running charges of fossil-fuelled stations compared with nuclear plants, but also by the need to keep large stocks of fuel on site. This is to offset the risk that, for either political, economic or transport reasons, fuel supplies to West Berlin across the territory of surrounding East Germany might be cut off.

As an energy island, West Berlin is forced to carry uneconomically high power reserves

Big industrial users in the city such as Siemens, Daimler Benz, Nixdorf and Osram offset these costs where possible though the generous tax incentives available to businesses with a base in the divided city. Reliance on oil however has had a positive side. Bewag has cut prices by 5 per cent over the past year because of the sharp cut in the D-Mark price of crude oil.

West Berlin's installed power station capacity—eight plants with capacity of 2,232 MW—also gives the city an uneconomically *high level* of power reserves. As Berlin is an energy "island," Bewag cannot draw on supplies from other utilities in the case of power failure.

The idea of being linked with East Germany in a grid system, explored in the past, has been turned down by *the* West Germans as it would possibly make West Berlin over-dependent on the goodwill of the East Germans.

Seven of the eight power stations are connected to district heating systems to use energy which would otherwise be wasted. A new DM 2bn 600 MW coal-fired plant, Reuter-West, to come on stream in 1987-88, will also supply district heating, which will then provide nearly a quarter of West Berlin's overall requirements for heating energy.

Combined with closures and modification of older plant, the new power station, fitted with equipment to reduce sulphur and nitrogen oxide *emissions*, represents a significant step in West Berlin's efforts to bring air pollution down.

Bewag is using limestone scrubbing to reduce sulphur *dioxide releases*. It plans to dispose of the gypsum by-product in Poland and Scandinavia. It is also exploring Japanese catalytic methods to reduce nitrogen oxide emissions, running three pilot plants at a cost of DM 30m before it places a firm order in about a year's time.

Because 50 per cent of West Berlin's sulphur dioxide pollution comes from East Germany, experts have queried whether part of the DM 2.5bn programmed for environmental measures within the city might be better spent cleaning up East Germany's notably polluting lignite power stations.

In practice, however, because of the city's delicate political position, West Berlin has no choice but to follow exactly the same pollution control norms as the rest of West Germany. Any deviation would give rise to the feeling that links with the rest of the Federal Republic were being weakened—an interpretation that the city fathers, and the West in general, want to avoid at all costs.

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Product innovation

Hustling for growth in mature markets

Tony Thompson assesses the shelves of North American supermarkets

A BUMPER year for new product entries in North American supermarkets is forecast for 1987. If that materialises, it could provide a welcome bonus for the packaging and advertising businesses. But it is also likely to make chief executives' seats even hotter as they hustle for incremental growth in a mature marketplace.

Graham Denton, chief executive of Product Initiatives, a new products consultancy, of Darien, Connecticut, expects to see "approaching 6,000 new entries vying for shelf space during 1987." Last year, Marketing Intelligence Services, of New York, reported a total of 5,076 new products, compared with 4,78? in 1985.

Denton also reckons that a lot of new product introductions will emerge from companies that have merged over the past couple of years. Many had put introduction on hold. "We had many assignments postponed during 1985-86 because our clients were involved one side or the other of a merger," he says.

Many chief executive officers, having achieved growth by acquisition, were now under pressure to produce larger profits from what they have. "But there is no market growth; there are no obvious wants or needs on the part of the consumer. So where are they going to find their incremental growth?"

One way, Denton suggests, is by small niche acquisitions, rather than mega-mergers. Those which settle for innovation have problems. "There are already too many products on the market," maintains Denton. Product Initiatives rates all new entries for novelty with its Innovation Index(R). During 1986, *13-14 per cent of new products* warranted inclusion on the Index; the remaining 86 per cent were either one-twos or line extensions, with little or nothing to distinguish them from existing products in the market.

"Chief executives will panic and allow products to be pushed on to the market without adequate testing. They won't be new; there will be no significant point of difference. Most will fail," declares Denton.

Specialists in product introductions believe the hot spots for those after a slice of the family housekeeping budgets will include: over-the-counter drugs; snacks which also serve *as main meals*; the "*good-for-you*" healthy foods; products that save time; refrigerated produce versus fresh, frozen, or canned; and extensions of established brand names.

"*The drug* companies will be under tremendous pressure to introduce what are now considered ethical products in over-the-counter formulations," says Denton. "More and more people are turning to self medication because of the high cost of consulting a doctor. If the ethical drug companies do not meet this demand, others will."

The habit of keeping away *from the drug counters* and medical practitioners by eating the "right foods" is expected to remain important during 1987. But here is a danger of overkill after an ingredient becomes trendy, as happened during 1986 with calcium. Here, the good old-fashioned standbys of fruit, vegetables, and soups are being mooted as likely winners.

"Branded *vegetables*, like Kraft's Vegi-snak, and salads are beginning to appear in the refrigerated sections of supermarkets," says Ian Richards, managing director of Marketing Intelligence Services International, Toronto. Richards, who has a background in food technology, says biotechnology has made it possible for more products to be stored in the refrigerator without spoiling.

Technology is set to play a major role both in packaging and processing of products. In part this will be driven by the *increasing ownership of microwave ovens*. Science alone, however, is not the solution for success. Last year, microwaveable popcorn became a hot item, made possible by the development of a hybrid corn suitable for this method of cooking. But it was health care professionals that gave it the edge.

The American Cancer Society pronounced that eating popcorn could help prevent stomach cancers. Then, popcorn appeared *on the American Dental* Association's list of approved snacks, and many dentists were claiming it could help prevent plaque.

However, some technical advances, such as irradiation, are not expected to make any impact until well into the 1990s, even though the process has been approved for many products both in the US and Canada. "The people who are going to do it are those where there is not much consumer focus: on spices, commodities, fruit, and vegetables, which are not branded and irradiation doesn't have to be blazoned all over it," says Richards. The food industry is lobbying governments in both the US and Canada to be allowed to use a symbol on irradiated products that does not *bring* up memories of Chernobyl or Three Mile Island.

European technology and packaging is expected to help US processors. "Europe is way ahead of North America on packaging for the growing refrigeration area," says Robert McMath, chairman of MIS.

McMath, who spends much of his working life checking what's new on supermarket shelves in North America, Europe, and Asia, is "notching a lot more products appearing in the US with squeezable *tubes*—but they are mainly from Europe. I'm sure we'll see US companies using them more."

Denton sees 1987 as the battle ground for the big guns. "We can look to Philip Morris to start having an impact on what General Foods produces; and the Nabisco/R. J. Reynolds merger should cause some *activity*." Then companies like Campbell, with a committed policy of looking for niche markets will add to the excitement. All of them will be plugging away to extend the franchise of their existing brand names with the consumer.

But, no matter how big the name, or cash rich the treasury, given the odds, they will need plenty of luck in picking the winners.

Dichotomy for Canadian consumers: while orange juice contains healthy calcium, Jolt Cola is decidedly unhealthy

JOLT COLA, proclaims the large type on the bottle, contains "all the sugar and twice the caffeine."

If ever there was a product reacting to last year's health trend in North America, this soft drink produced by Jolt Cola Company, a small Rochester, New York-based mineral water company, is it.

Introduced just two years ago for distribution mostly in upstate New York, Jolt is now distributed nationally and sales are reported still to be *growing. Its next objective is* to work the same spell over the border in Canada.

Jolt was no doubt helped by the misguided thunderbolt from the Coca-Cola Company's introduction of New Coke. But the success of the drink must have many marketers asking themselves questions about extending brand names and the value *of hitching* on to a health trend.

For 1986 was a year when many packaged goods processors tried to capitalise on healthy trends. Calcium proved to be the favourite draw, following heavy, and sometimes heady, media coverage of the problems of osteoporosis faced by middle aged women.

The medical gurus proclaimed that the shortage of calcium in the American diet was causing porosity and brittleness in the bones of *the nation's post-menopausal* women. Since, with the greying of America, this is an important market, entrepreneurs were quick to respond.

The mineral began appearing in breakfast cereals, fruit juices, and other unlikely places. Other manufacturers, realising their product was high in calcium, began reminding the consumer of the fact. The makers of "Tums"—an antacid—made those who used their product for stomach aches feel even better when they announced in a multi-million dollar media campaign that the pills were also loaded with calcium. Milk marketers spared no expense to point out milk was just brimming with the mineral. Some distributors even offered milk "with added calcium."

But industry watchers are questioning the value of these add-ons. "Foods with added this or that are not really viable in the long run," says Ian Richards of Marketing Intelligence Services International, Toronto. "What the consumer is looking for is innately good ingredients, not that it contains a lot of added starbursts: eight minerals, 10 vitamin complexes, and so on."

But not all "health-oriented" food ideas managed to reach the market. Last year, after five years of discussions with federal authorities, Lipton hoped to be able to launch its "Memory Soup." But the talks continued without a decision by the authorities. Developed with researchers at Massachusetts Institute of Technology, Boston, Lipton's noodle soup contains concentrated lecithin, which it is believed may help sufferers of nervous disorders and possibly Alzheimer's disease. The dichotomy for Lipton is whether the product comes under the drug regulations or under those controlling additives. A company spokesman says the soup will be on the market by next June, but with distribution limited to drug and health food stores—and without any claims concerning its potential properties. The company is hoping word-of-mouth will do the trick.

Bartle Bogle Hegarty

A stringent set of rules

Feona McEwan profiles a leading UK agency

ADVERTISERS IN search of outstanding creative work from London's leading ad agencies may believe they call the tune, used as they are to agencies that bend and flex their approach to win new business at any cost.

It's a common enough temptation for a service industry, hungry for growth, to dance to a prospective client's song of the moment, dropping a timely comment in the right ear at the relevant time in the bid for new clients. But this is not necessarily so.

One agency that has earned itself the respect of rivals by its reputation for bucking this trend and sticking to its guns, though it has cost it dear is Bartle Bogle Hegarty, an agency as fussy about clients as they tend to be about agencies. More to the point, it works. Last year was a record year; new business gains doubled the size of the agency; awards were heaped like confetti, capped this month by being named Campaign magazine's agency of the year.

What sets BBH apart from the pack is its stubbornness in playing by its own stringent rules. From day one, with not a client in sight, it held its principles high. After eight years working together at TBWA, John Bartle and Nigel Bogle, joint managing directors, and creative director John Hegarty, knew what they wanted.

One of the first principles was to make no creative pitches, a potentially suicidal policy which might, they now admit, have backfired on them.

Pitches are the lifeblood of the industry, the traditional means by which agencies win new business. They are costly and time-consuming and involve presentation of full-blown creative work to a potential client before an agency is selected.

It's a bit like asking a tailor *to make* a suit *for you* before you decide whether to buy it or not. Most agencies balk at he process, but accept it grudgingly as the grounds on which agency selection is traditionally made or else are too steeped in the habit to question it.

BBH instead bids for new business by offering strategy rather than execution. It assesses what it believes to be the broad marketing, advertising and media needs of a prospective client, and backs this with examples of work for other clients.

"I wish we had the courage to do that," comments Dave Trott, creative director of Gold Greenlees Trott; "I do envy them that."

Refusal to do creative pitches has cost BBH dear. Among missed opportunities it can count the Electricity Council, the Central Office of Information, the National Dairy Council and British Gas.

Other principles include no financial deals (they refuse to budge from the standard 15 per cent commission system) and a determination, despite the pressures, to remain independent. To overtures to go public, merge or form affiliations they consistently turn a deaf ear. They will only work with like-minded clients. "We're not greedy, just fussy," they have said. Nor are they agitating to conquer foreign lands like many of their competitors, content to stay at home doing what they do best—produce ads. It is with amusement now that they watch some of their work travel overseas, notably for clients Levi Strauss (UK), Audi Volkswagen (UK) and Pepsi Cola International.

A first principle was no creative pitches—a potentially suicidal policy

In its five year existence, BBH has notched up billings of £40bn, a client list of 22, and a staff of 100.

As well as Levi's, Audi and Pepsi, clients include Asda (*its* £14m budget increased billings by some 50 per cent overnight at the time), British Telecom, Pretty Polly, Siemens, St Ivel, Whitbread, Smith and Nephew.

BBH has given us Audi's "Vorsprung durch technik, as they say in Germany" line: Asda's comic duo Victoria Wood and Julie Walters gossiping suggestively while they shop; and Dr White's sanitary protection press ad, "Have you ever wondered how men would carry on if they had periods . . ."

Most famous of all are its much-feted Levi's commercials.

Creatively, BBH has always shone, with a reputation as a producer of stylish, classy, superbly executed work. "The most polished agency around," according to Dave Trott. Critics suggest the heavily art-directed aproach borders at times on the precious (hence the old twee-bee-w-a crack, a pun on their old agency) with ideas less prolific than they might be. "They have no hard edge," said one observer, "but then maybe their clients don't want that and anyway their work is so appealing it is hard to knock."

What particularly draws the clients to BBH? Geoff Street, merchandising and development director at Asda, *who appointed* the agency to help reposition the retail giant, liked its inquiring, enthusiastic approach. "Because of the boring nature of much retail advertising," he says, "we needed to stand out creatively and they tend to be mould-breakers. Also they were hungry and that's not changed today. Some agencies love you for your billing but aren't crazy about the work. They have almost a sense of mission. They are keen, too, to set standards within their own industry and that can only be good for us."

There were initial difficulties, as with *any new* agency, but the partnership is working well now. Though too early to note deep changes in perceptions of Asda, spontaneous awareness research shows the required messages are *getting* over to consumers. The question remains however, whether Asda's requirements will continue to be compatible with BBH's own objectives.

Peter Cover of Audi UK, BBH's founder client, says: "They are not sycophantic; they don't indulge us at all."

Patrick Austen, managing director of Pretty Polly, says: "So many agencies offer up a lot of airy fairy nonsense, a lot of bullshit. We don't have that at all. They are an unbeatable combination, creatively brilliant and with down-to-earth common sense." And the results of the advertising? "They have contributed in a major way to spontaneous brand awareness, no doubt about it. Our expectations of one range, After Dark, was exceeded by two and a half times. Since they were appointed two years ago, we've had our second record year of profitability. Is it just coincidence?"

NOTICE OF REDEMPTION

To the Holders of
AHFC OVERSEAS FINANCE N.V.
11¾% Guaranteed Bonds Series E-1, Due February 15, 1994

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Article Six and Section 609 of the Indenture dated as of February 15, 1994, among AHFC Overseas Finance N.V. (the "Issuer"), Alaska Housing Finance Corporation, as Guarantor, and Bank of America National Trust and Savings Association, as Trustee, $22,927,000 principal amount of the Issuer's 11¾% Guaranteed Bonds Series E-1 due February 15, 1994 (the "Bonds") have been called for Special Mandatory Redemption in an amount equal to the Excess Revenue Amount, as defined in the Indenture, on February 15, 1987 (the "redemption date") at a Redemption Price equal to 100% of the principal amount thereof, together with interest thereon at the rate of 11¾% per annum to the redemption date.

Pursuant to Section 704 of the Indenture the Trustee has selected the following Bonds for redemption on February 15, 1987:

Bearer Bonds in the Denomination of $1,000 Each

23227	23975	24768	25480	26268	27001	27767	28493	29148	29879	30642	31404
23230	23980	24770	25481	26257	27015	27769	28495	29150	29887	30648	31406
23255	23986	24773	25482	26260	27023	27772	28497	29151	29892	30650	31408
23256	23989	24776	25490	26263	27027	27774	28499	29157	29896	30657	31413
23258	23998	24784	25491	26265	27028	27777	28502	29160	29897	30661	31416
23271	23999	24785	25493	26267	27035	27780	28506	29165	29899	30663	31418
23281	24015	24794	25500	26268	27046	27786	28508	29170	29901	30671	31420
23282	24016	24795	25501	26275	27047	27790	28509	29188	29902	30673	31421
23287	24017	24800	25503	26276	27049	27794	28512	29198	29903	30674	31424
23295	24018	24802	25506	26278	27051	27801	28515	29202	29907	30679	31435
23297	24023	24805	25507	26289	27064	27807	28516	29208	29908	30687	31436
23298	24024	24806	25512	26290	27078	27815	28517	29209	29909	30691	31440
23301	24026	24813	25515	26294	27080	27819	28518	29218	29912	30693	31442
23303	24035	24819	25518	26303	27086	27821	28523	29232	29920	30697	31454
23306	24038	24821	25525	26309	27087	27824	28530	29235	29924	30700	31461
23309	24043	24823	25526	26311	27090	27827	28533	29239	29929	30706	31463
23310	24061	24834	25533	26312	27094	27830	28537	29242	29932	30715	31474
23320	24062	24836	25538	26316	27100	27833	28541	29243	29934	30720	31479
23340	24063	24843	25539	26318	27105	27835	28544	29245	29946	30739	31481
23346	24067	24844	25540	26321	27107	27845	28552	29246	29954	30744	31495
23365	24068	24853	25551	26323	27115	27846	28559	29247	29955	30750	31501
23371	24078	24854	25555	26324	27121	27847	28561	29251	29961	30756	31507
23382	24100	24872	25559	26325	27134	27850	28562	29252	29968	30758	31511

[illegible]

On the redemption date, the Redemption Price will become due and payable upon each Bond in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein. Interest on the Bonds will cease to accrue on and after the redemption date. Payment of the Redemption Price will be made on or after Tuesday, February 17, 1987, upon presentation and surrender of the Bonds, together with all appurtenant coupons maturing subsequent to February 15, 1987 at the offices of any of the following paying agencies:

Bank of America NT and SA 25 Cannon Street London EC2P 4 HN, England Attn: John Hopper, Settlement Dept.	Bank of America NT and SA 2 Boulevard de la Woluwe B-1150 Brussels, Belgium	Bank of America NT and SA Mainzer Landstrasse 46 P.O. Box 110243 Frankfurt, West Germany	Bank of America Bleicherweg 15 CH 8022 Zurich, Switzerland	Banque Internationale A Luxembourg 2, boulevard Royal L-2953 Luxembourg

All bearer bonds surrendered for redemption must be accompanied by all interest coupons maturing subsequent to the redemption date. An amount equal to any missing coupon(s) will be deducted from the principal amount.

It is required by the Internal Revenue Service that if you are a U.S. citizen you must provide your Social Security number when submitting bonds for redemption.

AHFC OVERSEAS FINANCE N.V.

By: BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Trustee

Dated: January 15, 1987

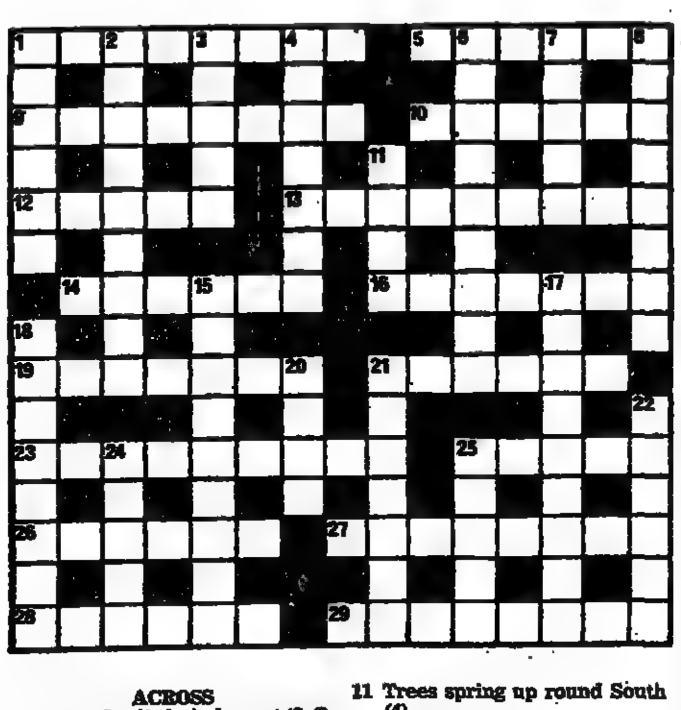
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE NO. 6,227

DANTE



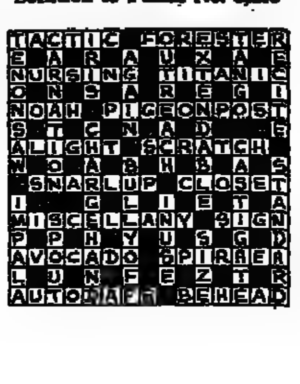
ACROSS

1 and 5 He sits in judgment (8, 6)
9 and 10 Your obedient servant should never quiz boss (8, 6)
12 Bring forth children (5)
13 Place to be for an alibi (9)
14 Exults with a number in mobs (6)
16 Polish woman to ring back (7)
19 Charging for a sign on pottery (7)
21 Burning a mark on a horse (6)
23 Declares professional rights (9)
25 A backwater that's far from sleepy? (5)
26 and 27 Pretty conventional symbols of Unions (6-8)
28 and 29 Marginal advantages some jobs may offer (6, 8)

DOWN

1 Free of charge? (6)
2 Mortals involved with me in deep turmoil (9)
3 They get drunk on hogshead of port (5)
4 Decreasing workers (7)
6 It turns behind (4, 5)
7 It turns up on the tenth (5)
8 Transference of money? (8)
11 Trees spring up round South (4)
15 Roundabout spin I go on a two-wheeler (9)
17 Beggars description in Naples (9)
18 Declines to keep awake? (5, 3)
20 Pedestrian walkway? (4)
21 Free from sailor's love entanglement (7)
22 It checks the growth of population (6)
24 A wild animal but it's all right, a quiet one (5)
25 A detached area in church (5)

Solution to Puzzle No. 6,226



AUTHORISED UNIT TRUST & INSURANCES

Canada Life Group
2-6 High St, Potters Bar, Herts — P. Bar 51122

Equity Gth Sept 29	1.508			—
Retirement	5.361			—
Individual Pension—Distribution				
Managed Pen Fund	293.7	309.2		4.9
Property Pen Fund	132.5	139.5		—
Index-Linked Pen Fd	125.8	132.5		—
Series G Pension—Accumulative				
International Pen Fd	190.0	200.0		—
Managed Pen Fd	168.2	177.1		—
Property Pen Fd	126.6	133.3		—
Index-linked Pen Fd	122.4	128.9		—
Gilt & Fxd Int Pen Fd	143.8	151.4		—
Equity Pen Fd	186.9	196.8		—
Managed Funds				
Managed	179.6	189.1	−0.9	—
Property	128.0	134.8	−0.4	—
Gilt & Fxd Interest	133.5	140.6	−0.9	—
Index-linked	111.5	117.4		—
Equity	199.1	209.6	−1.7	2.2
Cash	139.0	146.4	+0.1	—
Midland Bank Unit Tst	194.5	204.8	−0.5	—
Midland Bk Managed	194.5	204.8	−0.5	—
Midland Bk Internatl	227.4	239.4	+0.3	—

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation				
Equity	348.4	368.7	+1.4	—
High Income	299.5	316.9	+0.4	—
Property	216.7	229.3		—
Managed	253.1	267.8		—
Deposit	176.4	186.7	+0.5	—
Gilt	177.4	187.7	−1.5	—
American	251.9	266.6		—
International Money	198.5	210.1	+1.0	—
Index	108.6	114.9	−0.7	—
Far East	206.9	218.9	−0.4	—
Global	103.9	109.9	−0.3	—
European	109.0	115.3	+0.4	—
Japan	111.3	117.8	+0.1	—
Residential Property	96.7	102.9	+0.1	—

Crusader Insurance Plc
Reigate, Surrey RH2 8BL — 07372 42424

Measured Performance	103.4	109.4	+0.2	—
Performance Plus	104.2	110.3	+0.3	—
With Profit Perform.	97.2	102.9		—
UK Opportunity	103.8	109.8	+0.8	—
European Opportunity	111.9	118.4	+0.9	—
Nth American Opp.	102.2	108.2		—
Far Eastern Opp.	101.7	107.6	−0.5	—
Gwth Prp Ser 1 Jan 7	141.8	151.0		—
Gwth Prp Ser 2	97.0	102.6		—
Fixed Interest	97.6	103.3	−0.9	—
Cash	97.1	102.7		—
Managed Pens (Nov 18)	291.68	299.19		—

Devonshire Life
29 Glasshouse St., W1R 5RG — 01-434 3511

Managed	115.6	121.8	+0.3	—
World Growth	99.5	104.9	+0.1	—
UK Equity	120.4	126.8	+0.6	—
UK Small Companies	116.0	122.3	+1.2	—
European	103.7	109.2	+0.5	—
Far Eastern	161.4	170.0	−1.2	—
Nth American	95.8	100.9		—
Fixed Interest	104.3	109.9	−0.9	—
Index Linked Stks	99.7	105.1	−0.1	—
Money	100.3	105.7	+0.1	—
Pen Managed	128.1	134.9	+0.3	—
Pen World Growth	101.1	106.5	+0.1	—
Pen UK Equity	138.9	146.3	+0.6	—
Pen UK Small Cos	127.1	133.9	+1.1	—
Pen European	103.3	108.8	+0.4	—
Pen Far Eastern	211.4	222.6	−1.5	—
Pen Nth American	93.4	98.4	+0.1	—
Pen Fixed Interest	107.2	113.0	−0.7	—
Pen Index Lnkd Stks	100.0	105.4		—
Pen Money	104.6	110.2	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ — 0242 521311

Secure Fund	104.1	109.4		—
Blue Chip Fund	128.6	135.4	−0.7	—

INSURANCE, OVERSEAS & MONEY FUNDS

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	150.1	158.1	+0.2	—
Property Fund	117.9	124.2		
Fixed Int Fund	126.5	133.3	-0.7	
Money Fund	119.0	125.4		—
Equity Fund	198.6	206.9	+0.9	—
TSB Pensions Ltd.				
Managed Pension	420.2	442.4	-0.6	—
Deposit Pension	115.5	121.7	+0.1	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 394000

Managed	469.3	490.9	+0.1	—
Property	261.0	275.2	+0.2	—
Fixed Int.	156.8	165.1	-0.1	—
UK Equity	475.6	500.7	-3.8	—
Int. Equity	335.4	353.1	+2.5	—
Deposit	157.6	165.9	+0.1	—
Managed Property	212.3	223.5	-0.8	—
American Eagle	115.0	121.1	+0.3	—
Technology	95.2	100.3	+0.5	—
Worldwide Income	177.6	187.0	+1.4	—
Pacific	178.4	187.7	+0.6	—
Australian	90.0	94.8	-2.7	—
Japan	284.6	299.6	+7.9	—
Commodity	106.7	112.4	+0.1	—
Gold	135.8	143.0	+0.9	—
Financial	204.8	215.6	-0.6	—
Income	235.2	247.6	-2.3	—
Special Situations	212.8	224.1	-1.3	—
Preference	136.1	143.3	+0.5	—
Managed Currency	95.4	100.4		—
European Spec. Sits.	196.4	206.8	+0.2	—
Sterling	103			—
Residential Property	98.0	103.2		—
Pension Funds				
Managed Pension	1218.7	1282.9	+0.7	—
Gilt Pens.	344.9	363.1	-3.8	—
Property Pens.	623.0	655.8	+2.5	—
Equity Pens.	583.6	614.4	-3.0	—
Index-L. Pens	123.5	130.1	-0.4	—
Guar. Pens.	258.7	272.4	+0.3	—
Leicester Retirement	155.5	163.7		—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	174.4	183.6		—
Gilt & Fixed Int Fd	130.8	137.7		—
Cash Fund	123.4	129.9		—

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds				
Albany	116.7	122.8	+0.1	—
Cornhill	104.0	109.5		—
Irish Life	109.0	114.8		—
Royal Heritage	99.9	105.2		—
Schroder	97.8	102.9	+0.2	—
Skandia	118.1	124.3	+0.2	—
Target	119.5	125.8	+0.3	—
Trident	113.4	119.5	+0.1	—
Porchester Managed Pension Funds				
Albany	126.9	133.5	+0.1	—
Schroder	98.7	103.9		—
Skandia	123.6	130.1	+0.3	—
Target	110.2	116.1		—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	113.4	119.4		—
Pens. Man-Schroder	463.6	488.0		—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	99.5	104.8	+0.4	—
[illegible]	97.3	102.5	+0.5	—
M&G Am. (Life)	111.7	117.4	+0.6	—
M & G Am (Pens)	127.9	134.6	+0.8	—
Norwich Union Am. Mgt.	53.3	56.2		—
Royal Life (UnitLinkAm)	182.0	200.3	-0.3	—
Scot Equitable (Life)	147.5	155.3		—
Scot. Equitable (Pens)	100.6	105.9		—
Scot Mutual (Life)	151.0	159.0		—
Scot. Mutual (Pens)	137.3	145.6		—
Vanbrugh Life Am.	118.3	124.6	+0.6	—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX, 01-242 2263

Target Mngd Bond	183.7	193.4	+0.7	—
Target Mngd Pension	122.3	128.8	+0.8	—
Albany Mngd Bond	161.3	169.8		—
Albany Mngd Pension	202.8	213.4		—

Yorkshire & Lancashire Investment Mgt.
2 Parsons Lane, Clitheroe, BB7 2JN 0200 28066

Growth & Income (RH)	172.1	181.2		—
Unit Bond (Roy.H)	141.1	148.6		—
Flexible Managed (Hard)	140.6	147.8		—
Capital Managed (Schr)	130.5	137.3		—
Pension Fund (Roy.H)	117.8	124.1		—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

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Allied-Lyons	27
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BTR	26
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Brit Aerospace	42
Brit. Telecom	17
Burton Ord	26
Cadburys	17
Charter Cons.	24
Comm Union	28
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Gen Accident	75
Gen Electric	15
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A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Gold nears 3-month high as dollar weakens

BY ANDREW GOWERS

GOLD PRICES rose to their highest levels since late October in London and New York yesterday as investors switched funds out of the weakening dollar into bullion.

In sporadic trading, with volumes depressed by the absence of some key participants owing to the exceptionally cold weather in Europe, the price rose in London to close at $419.25 per ounce, $10 up on the day, while at the mid-session on New York's Commodity Exchange (Comex), gold for February delivery was close to $420. The last time that prices were this high in London was on October 23—after the metal's summer and autumn rally—when bullion closed at $424.75.

Dealers and analysts are citing a familiar combination of factors to explain the latest small surge in the price, which broke above $400 at the turn of the year after a couple of months in the doldrums:

● The chronic weakness of the dollar, and the uncertainties surrounding exchange rates in general following last weekend's reshuffle of the European Monetary System.

● Renewed investor interest in gold's sister metal, platinum, as a result of the latest bout of unrest in South Africa. The platinum price has risen sharply over the past few days, and was fixed in London yesterday afternoon at $537.75, its highest level since November 11.

● The strengthening of oil prices since the Organisation of Petroleum Exporting Countries agreed on production cuts and the restoration of fixed prices in December. This has led some analysts to expect a modest rise in inflation in the industrial countries this year.

● General uncertainty over the course of the US economy, particularly in the light of the dramatic rise in Wall Street share prices since the beginning of the year.

However, some dealers are treating the latest rise in gold with caution. A trader with one London bullion house predicted imminent resistance around the $420 level. The fundamental supply-demand picture this year may also not be as good as last, which saw huge Japanese buying for a coin issue commemorating the 60th anniversary of Emperor Hirohito's reign. In the event, the sale was not particularly successful, and plans for a follow-up minting have been scaled back.

The onus will therefore fall all the more on investors to mop up the growing output of the world's gold mines. Since the fall in the dollar means that gold still looks reasonably priced in most other currencies, such demand may well materialise.

Meanwhile, the outlook for platinum may also not be as automatically buoyant in 1987 as it seemed last summer. Mr Jeff Christian, an independent New York analyst, believes that increasing supply and patchy industrial demand for the metal could conspire to dispel some of the supply tightness experienced last year.

"Nineteen eighty-six was a very good year for platinum. I'm not sure that 1987 will be nearly as good," he said.

Prospectors flock to Indonesia

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA IS awash with gold prospectors following the Government's recent decision to change the rules on foreign participation. Exploration and production contracts, 34 in all, were awarded in December to 18 companies in joint venture with local partners. Another 30 to 40 agreements may be signed before the national elections in April.

The Government, encouraged by the high gold price, has turned the country's largely unexplored mineral resources, virtually overnight, into the leading attraction it needed so badly following the collapse of earnings from oil and gas, traditionally the main export sector.

"As oil revenues fall," says Mr Hadjoko Seputro of the Mines Ministry, "we hope minerals, particularly gold, can make up the difference."

The latest contracts, some as big as 10,000 sq km, cover 10 per cent of Indonesia's total land area and are in all islands except Java, which is reserved for local interests.

The mining fundamentals behind this sudden flurry of activity are harder to pinpoint. "Some outcropping and a few interesting rocks" is how one Australian geologist describes the prospect. Yet nearly all the big mining houses are queuing up to sign: including CRA, CSR and Renison Goldfields, from Australia; BP Minerals and Newmont Mining, the giant US group.

Mr Kerry Packer's Teweti subsidiary, with six contracts, the largest slice, is a relative unknown in mining circles, as is Pelsart Resources — the London-listed concern of Mr Kevin Parry, the man behind Australia's defence of the America's Cup — which has five.

Pelsart says Indonesia will produce 150 tonnes within 10 years, putting it "among the world's top five."

At Newmont, where corporate health depends less on the success or failure of this one project, 50 tonnes a year is considered a more realistic target. Either way, it would be a considerable advance on Indonesia's present official output of a paltry two tonnes a year.

The country's potential has long been recognised. For years, the jungle tribes of Kalimantan, currently the main focus of interest, have panned for gold, producing an estimated 20 kgs a day, all of it smuggled out to Hong Kong.

Indonesia is said to form part of the so-called "Pacific Rim of Fire," a network of volcanoes stretching from New Zealand to Japan with characteristic epithermal hot springs deposits which have proved a rich source of gold.

Both Indonesia's geological neighbours, the Philippines with 38.5 tonnes in 1985 and Papua New Guinea, with 33.2 tonnes are significant producers.

But for all the technical enthusiasm it still took a major overhaul of mining law for the flood gates to open on this latest gold rush. After months of lobbying the mining companies seem happy with the result. "Its a good document," says Mr John Dow of Newmont, "it takes away major uncertainty and gives clear rights to mine."

Out went the windfall profits and land and building taxes. The miner's portacabin was no longer treated as a fringe benefit, one of the more arcane terms and conditions. And depreciation scheduling was revised—"Previously it tok 20 years to write off a common truck, totally impracticable," say the mining companies.

More attractive still, companies are allowed to develop the prospect from survey stage through to production—an improvement on mining practice in Australia, where exploration and production rights are negotiated separately.

For the Government the agreements have an immediate impact, with companies obliged to spend around $9m at a rate of $45 per sq km of contract, increasing to $450 in the three-year exploration period. During production a royalty will be payable. This cost structure clearly encourages the investor to spend more in the first 12 months, establishing the area to be mined, so as to reduce the total block size during the more expensive exploration period.

Operating costs will depend much on the site. At Mount Moro, in central Kalimantan, where Duval of the US and Pelsart are already drilling, the river is navigable for 5,000-tonne barges to within a few miles of th prospect. Elsewhire, miles of the prospect. Elsewhere, roads to bring in plant. Once that's in place, a gold operation requires no bulk commodity shifting, as the week's production can be flown out in a light aircraft.

Pelsart says one open cast deposit will produce 30m tonnes with average grades of 5 grammes per tonne. Over a 10-year mine life, that gives annual output of 15 tonnes.

Dr Subroto, Indonesia's flamboyant Minister of Mines and Energy, says the agreements herald "a new golden age," but Mr Dow is more sceptical: "The psychology is all go," he says, "but only when the steam runs out of the boom, will serious questions about mineralogy be asked."

EEC battle looms over agri-money

By Tim Dickson in Brussels

THE STAGE is set for a fierce political battle between France and Germany at next week's meeting of Agriculture Ministers following a decision by the European Commission yesterday to impose provisional new taxes on French exports of pigmeat, poultry and eggs. The move was part of an otherwise routine meeting of the EEC's Agri-Monetary Committee to ajust the levels of monetary compensatory amounts (MCAs) for most community products in the light of the weekend realignment of the European Monetary System.

MCAs are a complex system of subsidies and taxes on cross-border farm trade designed to even out the effect of currency fluctuations.

The sensitivity arises because after the previous EMS realignment in April last year the French secured a commitment initially to suspend and subsequently to change the system of MCAs on pigs, poultry and eggs so as virtually to eliminate their impact. While most of the MCA changes announced yesterday are routine and take effect tomorrow, the Commission has decided on new French negative MCA's for pigmeat (minus 1.5 per cent) and eggs and poultry (minus 3.2 per cent) but left their implementation until next Thursday after the Agriculture Council in Brussels, which starts on Monday. Observers said last night that this issue, which is particularly important for Brittany pigmeat producers, would probably dominate the agenda of the meeting.

Zinc slide triggers producer price cut

BY RICHARD MOONEY

EUROPE'S ZINC producers have cut their list prices by $50 to $820 a tonne. And with their quotations still some $85 a tonne above the price ruling on the London Metal Exchange (LME) analysts believe further cuts are on the way.

"As a general rule I believe the EPP (European producers' price) should carry a premium of no more than $50 over the LME level," says Mr Stephen Briggs of Shearson Lehman Brothers, "so I wouldn't be surprised to see more reductions in the next week or two."

He believes producers will try to hold the line at about $770, however, and will offer discounts to customers if necessary, rather than drop their official prices below that level." They will not want to fuel a new 'vicious circle' with EEP cuts triggering fresh falls in the free market," he explains.

Yesterday's cut, which was followed by similar reductions in North America, came as little surprise to London metals traders, who had noted with interest that the producers made no attempt to halt a big slide in LME zinc prices on Monday. With supplies getting back to normal following last year's production disruptions and new smelter production coming on stream in North and, particularly, South Korea LME zinc prices have been under considerable pressure since before Christmas. The sharp rise in LME warehouse stocks which triggered Monday's price fall was widely rumoured to reflect an influx of Korean zinc.

Mine and smelter strikes in the US and Australia last year helped to lift the LME's three months delivery price for zinc from a February low of about $420 a tonne to a peak at the end of October of about £610. Then, with the worst of the disruption over, it lost about half of that advance during the course of November.

"There is still a general gloominess about zinc price prospects among LME traders and producers of the metal," says Mr Briggs. Yesterday the three months price lost another £6.25 to £492.75 a tonne, taking the fall on the week so far to £32.25.

The LME price did perk up with an £80 a tonne rise in the first half of December but that was partly due to producer intervention. Mr Briggs says, adding: "Some of them got their fingers badly burned then and will be reluctant to move in again."

Although he views chart-based forecasts that the price could sink back to last February's level as "a little alarmist," he expects the market to be in surplus, particularly during the first half of the year, and still sees some downward scope for LME prices. That could put further pressure on Europe's oversized smelting industry.

"If European producers were just about making money at the February lows some must be making losses now, following the slide in the dollar," he says. "Production cutbacks could be on the way, most probably in Europe's countries."

Oil rises as Saudi Minister starts tour

BY Lucy Kellaway

OIL PRICES rose yesterday as the new Saudi Arabian oil Minister, Mr Hisham Nazer, started on a tour of non-Opec countries in an effort to win support for Opec's move to increase oil prices. Brent crude for delivery in February rose about 25 cents a barrel to $18.75, while in New York the prices of West Texas Intermediate edged back above the $19 mark.

Mr Nazer was well received in Egypt yesterday, where Mr Abdel-Hadi Kandeel, energy Minister, told him that Egypt would consider making further reductions to its oil production, which has already been cut in support of Opec by 70,000 b/d from 940,000 b/d. Mr Kandeel said production would be held at the lower level throughout 1987, and might be reduced further. "If we can reduce more, we will," he said.

The assurance follows an announcement by Norway yesterday that it will cut its oil production by 7.5 per cent from current levels of just over 1m barrels a day.

Mr Nazer is due to visit Norway and the Soviet Union next week for talks with energy officials, and is likely to make a brief stop in the UK. However he is not expected to pay any official visits in London, which has not shifted its hard line stance against adopting any measures to support Opec.

● Figures from the American Petroleum Institute released yesterday show that oil production in the US last year was down by 3.4 per cent to an average of 8.7m barrels a day. This was due to wells been shut in as the fall in the oil price made them uneconomic. Mr Edward Murphy, a director of API, said that unless oil prices rose to $28 the decline in productio nwould be difficult to reverse.

According to the API, last year oil consumption and oil imports were at their highest levels for six years. If present trends continued the US could find itself with an energy shortage, he warned.

Oil consumption in the US last year was 16.2m barrels a day, an annual rise of 2.9 per cent. Imports rose by 22 per cent to an average of 6m barrels a day.

Rubber pact

ASIA'S MAIN rubber producers are ready for fresh talks with consumers on a new International Natural Rubber Agreement (INRA) and have pledged to approach such discussions in a constructive manner, reports Reuter from Kuala Lumpur.

Malaysia, Indonesia, Thailand and Sri Lanka said they hoped consumers would co-operate with them to resolve outstanding issues that have blocked agreement on a new pact.

These points were made in a statement issued at the end of a three-day meeting of an Association of Natural Rubber Producing Countries (ANRPC) committee on INRA matters.

Coffee shipments

SHIPMENTS OF coffee from Rotterdam to Brazil are to continue, Rotterdam coffee traders said yesterday, but a senior Italian market official in Rome thought some financing arrangements still needed to be finalised, reports Reuter.

Another unwilling to confirm actual shipping dates, the local shipper co-ordinating the business in Rotterdam said information he received on Tuesday from Brazil confirmed the movement would continue in spite of rumours to the contrary in London. He thought it highly unlikely that Brazil would retender what he calculated as 530,000 bags (60 kilos each) bought in Europe and still unshipped. The coffee, purchased for about £2,400 a tonne, is now worth only £1,600 a tonne, he noted.

Tin judgment

JUDGMENT in the English High Court on an International Tin Council (ITC) application that a petition for its compulsory winding-up be struck out is fixed for January 22, according to an official notice.

During a legal action last month a lawyer acting on the ITC's behalf argued the property and assets of the ITC are immune from jurisdiction of the English courts and that it is beyond their powers to order a winding-up.

Amalgamated Metal Trading, supported by merchant banker Kleinwort, Benson, is opposing the ITC application.

Malaysian writ

MALAYSIA'S HIGH COURT has allowed two local banks to serve a writ on the International Tin Council, ITC, to recover tin pledged by it as security for loans, according to Bernama, the national news agency, reports Reuter from Kuala Lumpur.

The ITC had pledged an undisclosed amount of tin to Bank Bumiputra Malaysia and Malayan Banking for loans of £76.13m and £35m respectively, it said.

Another application by the banks to be allowed to serve a writ out of jurisdiction on the London-based ITC to recover the loans was rejected by the court.

LONDON MARKETS

LONDON SUGAR futures put on something of a spurt yesterday as a number of bearish factors encouraged trade and speculative buying. Nearby values moved $8 to $10 higher near the close on dollar weakness, constructive chart patterns, the breaching of the psychologically significant 7 cents a lb level in the New York market and a continued response to a recent broker's report forecasting that world sugar production would fall short of demand this year. There was also talk of Soviet and Chinese buying, although this was generally disbelieved. In the coffee market, uncertainty about nearby supply/demand prospects was still apparent. In thin trading the January position moved modestly higher and the March position modestly lower, so re-establishing the prompt premium which had reverted to the normal discount on Tuesday. Traders remained concerned that supplies purchased in London by the Brazilian Coffee Institute may be resold on the same market in spite of a report from Rotterdam claiming that the IBC would continue to ship this coffee home.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	787-8	−2.5	792
3 months	797-7.5	−4	802/787

Official closing (am): Cash 791.5-2 (787-7.5), three months 801-1.5 (798.5-7), settlement 792 (787.5). Final Kerb close: 787-8.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	908-9	−6	912.5/912
3 months	931.5-2	−1.5	935/930.5

Official closing (am): Cash 912-2.5 (909.5-10), three months 934.5-5 (932-2.5), settlement 912.5 (910). Final Kerb close: 932.5-3.

Standard			
Cash	879-81	−1.5	—
3 months	906-9	−2	—

Official closing (am): Cash 883-5 (880-2), three months 913-3.5 (907-9), settlement 885 (882).

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	303.5-4.5	+3.5	299.5
3 months	300.5-1	+4	302/298

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2308-12	+5	—
3 months	2350-5	+3.5	2408/2362

Official closing (am): Cash 2240-50 (2308-12), three months 2395-400 (2358-61), settlement 2360 (2312). Final Kerb close: 2350-60.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	493.5-4.5	−6	—
3 months	492-5	−6.25	496/490

Official closing (am): Cash 495-6 (497.5-8), three months 493.5-4 (495.5-7), settlement 496 (498). Final Kerb close: 494.5-5.

TIN

KUALA LUMPUR TIN MARKET: Close 17.27 (17.29) ringgit per kg. Down 0.02 ringgit per kg.

GOLD

Gold rose $10 to $419-419½, closing at the day's high on the London bullion market. It opened at $415-415¾ and was fixed at $414.40 in the morning and $415.10 in the afternoon. The metal touched a low of $414-414½. Gold opened firm in London, following demand in the Far East, which dealers suggested was short covering in the light of the weaker dollar. The decline of the US currency dominated sentiment throughout trading in London.

GOLD BULLION (fine ounce) Jan. 14		
Close	$419-419½	(£278½-279)
Opening	$415-415¾	(£277½-278)
M'n'g fix	$414.40	(£277.098)
Aft'n'n fix	$415.10	(£276.549)

GOLD AND PLATINUM COINS		
Am Eagle	[illegible]	[illegible]
Maple leaf	[illegible]	[illegible]
Kr'g'rnd	[illegible]	[illegible]
½ Krug	[illegible]	[illegible]
¼ Krug	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$ 20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 2.15p an ounce higher for spot delivery in the London bullion market yesterday at 372.20p. US cents equivalents of the fixing levels were: [illegible] three-month [illegible] month 57[illegible] 590.35c, [illegible] at 373-37[illegible]

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unofficl	+ or −
Spot	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]
6 months	[illegible]	[illegible]	[illegible]	[illegible]
12 months	[illegible]	[illegible]	[illegible]	[illegible]

LME—Turnover: 0 (0) lots of 10,000 ounces.

SOYABEAN MEAL

Nearby prices again rose, increasing the premium over the deferred positions. [illegible] commercial buying [illegible] professional profit-taking kept prices in check, [illegible]

	Yesterday's close	+ or −	Business done
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]

Sales: [illegible]

INDICES

REUTERS

Jan.13	Jan.12	M'th ago	Year ago
1594.0	1600.8	1657.2	1887.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 13	Jan. 12	M'th ago	Year ago
Spot	115.39	115.89	—	132.06
Fut	115.76	115.90	—	133.90

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 14 1987	+ or −	Month ago
METALS			
Aluminium	[illegible]		[illegible]
Free Market	[illegible]		$1210/1250
Copper			
Cash Grade A	£931.75	−1.5	£934
3 mths	£951.75	−1.5	£955.75
Gold Troy oz	$419.25	+10	$392
Lead Cash	£304	+3.5	£376.5
3 mths	£300.75	[illegible]	£387.5
Nickel	186/178c	[illegible]	161/151c
Free Mkt	[illegible]	[illegible]	$117.80
Palladium oz	[illegible]	[illegible]	$483.60
Platinum oz	$537.75	[illegible]	$166/165
Quicksilver†	[illegible]	[illegible]	375.25p
Silver troy oz	372.20p	[illegible]	384.65p
3 mths	[illegible]	[illegible]	$4400/440
Tin	[illegible]	[illegible]	$47.54
free Mkt	[illegible]	[illegible]	$32/42
Tungsten	[illegible]	[illegible]	£543.5
Wolfram 22.04lb	[illegible]	[illegible]	£538.25
Zinc	[illegible]	[illegible]	$870
3 mths	[illegible]	[illegible]	
producers	[illegible]	[illegible]	
Coconut (Phil)	[illegible]	[illegible]	$398
Palm Malayan	[illegible]	[illegible]	$305
Copra (Phil)	[illegible]	[illegible]	$260
Soyabean (U.S.)	[illegible]	[illegible]	$147
GRAINS			
Barley Fut. Mar	[illegible]	[illegible]	£113.90
Maize	[illegible]	[illegible]	£148.00
Wheat Fut. Mar	[illegible]	[illegible]	£113.65
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1407.5	+3	£1435.5
Coffee Ft. Mar.	£1577.5	−10	£1752.5
Cotton A Ind.*	66.60c		60.70c
Gas Oil Mar.	$166.5	+2.75	$153.75
Rubber (kilo)	67.25p	+0.5	64.5p
Sugar (raw)	$160.5x	+5	$145
Wooltops 64s	427p kilo		427p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. w Feb. y Feb-March.

COFFEE

Activity was confined to a narrow range in light volume, reports Drexel Burnham Lambert. With mixed commission house business both sides of the market and traders lacking any fresh fundamental or technical considerations activity was restricted.

COFFEE	Yesterday's close	+ or −	Business Done
Jan	[illegible]	+7.0	1600-1580
Mar	1575-1580	−10.0	1610-1577
May	1600-1605	−3.5	1630-1600
July	1625-1630	−8.0	1654-1630
Sept	1645-1655	−17.5	1675-1655
Nov	1670-1700	+20.5	1671
Jan	1670-1700	+8.0	—

Sales: 3,185 (5,140) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 13: Comp daily 1979 118.76 (117.62); 15-day average 122.72 (123.30).

COCOA

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
March	1382-1383	+3.0	1387-1370
May	1407-1408	+2.0	1415-1405
July	1432-1433	—	1432-1430
Sept	1458-1459	+1.0	1465-1455
Dec	1488-1490	−1.5	1495-1485
March	1517-1518	−2.5	1525-1515
May	1535-1537	−2.5	1545-1540

Sales 1,064 (1,786) lots of 10 tonnes.

ICCO indicator prices. Daily price for January 14: 90.30 (89.80); five-day average for January 15: 89.47 (89.24) US cents per pound. Daily price 1594.69 (1591.26); 10-day average 1611.69 (1616.73) SDRs per tonne.

GRAINS

Old crop wheat began trading at 10p up to unchanged levels with keen shipper selling absorbing good sized shipper, country merchant and consumer buying. However as the day progressed renewed shipper selling and long liquidation on the spot position pressured prices. Old crop barley was by comparison rather neglected with trading virtually confined to the March position which saw shipper selling against country merchant buying, values remained steady throughout. New crops remained steady throughout the day with country hedge selling being absorbed by shipper buying. During the afternoon a modest spread trade materialised on the November wheat and barley positions at parity, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yestrdy's close	+ or −	Yest'rdy's close	+ or −
Jan	111.40	−0.50	111.10	−0.15
Mar	113.20	−0.50	112.25	−0.35
May	115.70	−0.10	115.85	−0.30
July	117.85	−0.05	—	—
Sep	100.95	+0.10	100.25	+0.10
Nov	103.05	+0.15	103.05	+0.10
Jan	105.95	+0.20	106.05	+0.10

Business done—Wheat: Jan 111.60-1.40, Mar 113.40-3.20, May 115.80-5.65, 100 tonnes. Barley: Jan 111.00, Mar [illegible]

[illegible]

POTATOES

Another very cold night and a firmer Dutch quote saw the London market push up to [illegible]. Selling quickly depressed values which closed on a weak note at lunchtime. Further selling on the afternoon opening met resistance at [illegible], reports Coley and Harper.

Sales: 1,295 (1,696) lots of 40 tonnes.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]		[illegible]
Apr.	[illegible]		[illegible]
Jul.	[illegible]		[illegible]
Oct.	[illegible]		[illegible]
BFI	[illegible]		[illegible]

Sales: [illegible]

RUBBER

PHYSICALS — The London market opened steadier, met some resistance at the higher levels and closed quiet and uncertain, reports Lewis and Peat. Closing prices (buyers): spot 67.25p (66.75p); Feb 65.25p (64.75p); March 65.50p (65.00p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 230 (228) and SMR 20 209 (208).

FUTURES—Index 676, Feb 685-695, March 690-700, April-June 695-705, July-Sept 701-716. Sales: Nil.

OIL

February Brent prices opened at $18.80, 25c up on Houston's close and traded thinly just below this level for most of the day. Traders said that the continued bad weather and the strong Nymex markets were responsible for the rise in Brent prices. February WTI opened 5c up on Nymex and traded 17c up at 1.30 pm EST. In the petroleum products market prompt gas oil remained firm although buyers withdrew in the afternoon. Fuel firmed on end-user buying interest with higher demand due to the cold weather. Naphtha weakened on good availability and little demand. Gasoline was quiet in a buyer's market—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.35-17.40	+0.075
Brent Blend	18.80-18.85	+0.25
W.T.I. (1pm est)	19.00-19.10	+0.225
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	185-190	—
Gas Oil	176-179	+5
Heavy fuel oil	115-117	+5.5
Naphtha	166-168	−9

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or −	Business Done
Feb	173.50	+5.25	173.75-69.50
Mar	166.50	+2.75	167.50-65.00
Apr	159.50	+2.50	160.00-57.25
May	154.00	+2.00	155.00-53.50
June	153.00	−3.00	155.00-52.50

Turnover: 3,688 (4,907) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or −	Business Done
Feb	110.50	+0.50	111.75-110.00
Mar	106.50	+1.00	107.00-106.50
Apr	105.00	+2.00	—

Turnover: 138 (137) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.49p per kg lw (+4.36). GB—Sheep 194.79p per kg est dcw (+3.88). GB—Pigs 79.41p per kg lw (+6.49).

SUGAR

The market bounced back from Tuesday's sharp sell-off although there was little fresh news. Buying came from short-covering in response to the over-sold position, reports Clarkson Wolff.

Turnover: 250 (458).

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
Mar	155.8-155.8	149.4-149.6	159.0-149.0
May	158.8-159.0	152.8-153.0	162.0 155.8
Aug	165.0-165.4	156.6-157.4	166.0-1[illegible]
Oct	166.4-161.6	160.2-161.0	170.8 16[illegible]
Dec	169.0-170.4	165.2-166.8	—
Mar	179.0-180.0	173.0-174.4	178.0-175.0
May	180.0-184.8	175.6-180.0	—

PARIS—(FFr per tonne): March 1177/1180, May 1202/1204, August 1247/1250, Oct 1275/1285, Dec 1310/1325, March 1355/1375.

LONDON DAILY PRICE—Raw sugar $160.50 (£107.50), up $5.00 (up £3.50) a tonne for January-February delivery. White sugar $188.00, up $4.00.

Prices opened higher in line with a rally in New York after the early London close on Tuesday. New York prices moved higher again and arbitrage buying produced further gains, reports C. Czarnikow.

Sales: 5,132 (1,917) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £211.00 (£209.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for January 13: Daily price 6.21 (6.08); 15-day average 5.59 (5.82).

US MARKETS

DOLLAR WEAKNESS, continued strength in oil prices (Norway, Mexico and Egypt are rumoured to be joining Opec in cutting output) and concern over South Africa produced market strength in the precious metals and energy futures, reports Drexel Burnham Lambert. Trade and commission house buying in crude oil futures held the market steady in the face of profit-taking. Commission house buying touched off large stops and brought fund buying into gold and silver futures as overhead resistance levels were breached. Platinum also featured good trade and commission house buying. In all markets, selling represented profit-taking.

Heavy commission house buying in sugar futures, also reflecting the weaker US currency, touched off stops as the market showed strength in the face of trade selling. Coffee futures were weak as trade selling prompted light commission house long liquidation, reflecting bearish fundamentals.

Very strong cash premiums in the grains markets coupled with the weaker dollar saw grains futures steady on a combination of commercial and speculative buying. Concern over anticipated cold weather in the Mid-west growing areas added to bullish sentiment. The meat markets were also steady, reflecting continued good demand and steadier cash premiums.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	53.00	—	—	52.70
Feb	53.15	—	—	52.85
March	53.30	53.45	52.75	53.00
May	53.45	53.50	53.25	53.10
July	53.50	53.50	53.50	53.15
Sept	53.55	—	—	53.25
Dec	50.65	—	—	50.05
Jan	54.00	—	—	53.65
March	54.15	—	—	53.80
May	54.25	—	—	53.90

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	1886	1888	1851	1873
May	1920	1924	1916	1908
July	1940	1946	1940	1933
Sept	1970	1974	1970	1957
Dec	1995	2005	1995	1981
March	2015	—	—	2001

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	125.61	127.80	125.25	127.70
May	127.80	129.75	127.80	128.80
July	130.25	131.25	129.50	130.51
Sept	131.50	132.50	131.00	132.25
Dec	133.00	133.00	133.00	132.50
March	132.01	132.01	132.01	133.13
May	131.56	—	—	133.88

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	61.55	—	—	61.15
Feb	61.70	—	—	61.35
March	62.10	62.20	61.80	61.75
May	62.60	62.60	62.40	62.25
July	63.00	63.20	62.85	62.65
Sept	63.35	63.55	63.40	63.00
Dec	60.45	—	—	60.15
Jan	64.10	—	—	63.75
March	64.50	—	—	64.15
May	64.80	—	—	64.45

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	58.11	[illegible]
May	58.00	58.20	57.70	58.02
July	57.50	57.65	57.30	57.40
Oct	56.80	57.10	56.80	56.80
Dec	56.07	56.60	56.00	56.25
March	56.40	56.50	56.40	56.65
May	56.61	—	—	56.75

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Feb	19.14	19.15	18.82	19.08
March	18.90	18.95	18.70	18.87
April	18.57	18.70	18.50	18.59
May	18.24	18.35	18.20	18.30
June	17.90	18.05	17.85	18.01
July	17.65	17.80	17.60	17.75
Aug	17.40	17.60	17.43	17.55
Sept	17.38	17.40	17.35	17.41
Oct	17.30	17.30	17.15	17.27

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	417.8	417.5	417.5	410.9
Feb	419.2	422.0	415.0	412.3
March	420.9	423.0	418.0	413.8
April	423.2	425.0	420.0	416.1
June	425.9	430.0	423.5	418.7
August	430.5	432.5	427.5	422.3
Oct	434.1	434.0	432.5	425.5
Dec	389.3	—	—	380.2
Feb	441.5	444.0	440.0	434.4
June	448.6	448.0	444.5	442.0
Oct	434.1	434.0	432.5	425.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	249.4	249.4	247.4	247.4
Dec	256.8	256.4	254.8	255.0
March	283.0	283.0	280.0	281.2

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 561.0 (555.5) cents per troy ounce.

FOREIGN EXCHANGES

Dollar's slide continues

THE DOLLAR continued to slide on the foreign exchanges yesterday, refusing to respond to any news designed to push it higher, and losing further ground after the US Treasury said there are no plans to hold a Group of Five meeting.

Earlier in the day Mr Larry Speakes, a White House spokesman said "We are not setting targets and we are not trying to talk the dollar down." This was in response to a US newspaper report that the Reagan Administration would like to see a further decline in the value of the dollar.

A sharp rise of 4.4 per cent in December US retail sales had little impact. The increase was the second highest on record, but without car sales the rise was only 0.9 per cent.

Intervention by the Bank of Japan on Far East markets had also failed to stem the dollar's decline.

Although dealers feel the dollar is now due for a technical upward adjustment this is expected to be short lived.

The US currency closed around the day's lows, and at the weakest level against the D-mark since October 16 1980. It fell to DM 1.8360 from DM 1.8755; to FFr 6.1350 from FFr 6.27; to SFr 1.5380 from SFr 1.5750; and to Y152.75 from Y155.75.

On Bank of England figures the dollar's index fell to 105.2 from 106.4, the lowest since November 1981.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index fell 0.2 to 68.3, compared with 73.4 six months ago.

Sterling rose to its highest level against the dollar since mid-July, closing at the day's high of $1.5055-1.5065, a gain of 1.55 cents from the previous close. This was a reflection of the dollar's weakness however, rather than the pound's strength. Sterling fell to another record low against the D-mark at DM 2.7650, compared with DM 2.7850. It also declined to FFr 9.24 from FFr 9.3450; to SFr 2.3150 from Sr 2.3475; and to Y230.05 from Y232.25. Firm oil prces did not provide much support for the pound.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8360. December average 1.9890. Exchange rate index 148.0 against 135.1 six months ago.

The D-Mark made further gains yesterday, at the expense of the dollar. Dealers began to talk nervously of the record low of DM 1.70 touched in January 1980. Although this is not regarded as an early target for the dollar, it was noted that the Reagan Administration wishes to see a further decline of the currency, according to a US newspaper report. After opening very weak the dollar was fixed at DM 1.8833 in Frankfurt, compared with DM 1.8810 on Tuesday. The fixing was the lowest since October 23, 1980, and the Bundesbank did not intervene. There was some profit taking, after the dollar touched DM 1.8550 in early trading, and dealers suggested a technical reaction could lead to a temporary recovery, but the trend remained for a weakening of the dollar.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 152.35. December average 162.19. Exchange rate index 210.6 against 213.6 six months ago.

The yen remained strong against the dollar, in spite of the efforts of the Bank of Japan. The central bank bought about $1bn in the Far East, including Hong Kong and Singapore, according to dealers, but failed to prevent the dollar falling to a three-month low of Y153.80 at the Tokyo close, from Y156.00 on Tuesday. Soon after the close Mr Satoshi Sumita, Governor of the Bank of Japan, said the central bank will intervene decisively in the currency market if necessary, to stabilize foreign exchange rates. The authorities bought dollars in early trading, in an attempt to increase the impact of short covering by securities houses, but selling soon developed, ahead of a national holiday today in Japan. A rumour that the Bank of Japan was to cut its 3 per cent discount rate was denied by official sources.

£ IN NEW YORK

Jan 14	Latest	Previous Close
£ Spot	1.5060-1.5065	1.4925-1.4935
1 month	0.56-0.53 pm	0.65-0.64 pm
3 months	1.79-1.74 pm	1.72-1.69 pm
12 months	6.35-6.25 pm	6.27-6.17 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.6132	+0.37	+0.37	±1.5344
Danish Krone	7.85212	7.85247	+0.04	+0.04	±1.6404
German D-Mark	2.05853	2.06143	+0.14	+0.14	±1.0981
French Franc	6.90403	6.89210	−0.17	−0.17	±1.3674
Dutch Guilder	2.31943	2.32528	+0.25	+0.25	±1.5012
Irish Punt	0.768411	0.772184	+0.49	+0.49	±1.6684
Italian Lira	1483.58	1465.76	−1.15	−1.15	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4895-1.5065	1.5055-1.5065	0.65-0.62c pm	5.06	1.77-1.72 pm	4.63
Canada	2.0410-2.0446	2.0420-2.0430	0.61-0.51c pm	3.29	1.75-1.70 pm	3.38
Netherlands	3.12¼-3.14	3.12¾-3.13¾	1⅝-1⅜c pm	5.76	4⅛-3⅞ pm	5.20
Belgium	57.24-57.51	57.55-57.65	9-2c pm	1.15	41-31 pm	2.50
Denmark	10.55½-10.59½	10.55½-10.56½	1¼-¼ ore pm	0.92	2⅝-1⅛ pm	0.64
Ireland	1.0370-1.0450	1.0425-1.0435	0.25-0.45 p dis	−4.03	0.65-1.00 dis	−2.78
W. Germany	2.76-2.78½	2.76-2.77	1⅞-1½ pf pm	7.05	4⅞-4⅞ pm	6.15

FINANCIAL FUTURES

Long gilts recover

TRADING IN long term gilt futures was again active on the London International Financial Futures Exchange yesterday. March delivery traded 23,607 contracts, down from the record level of 35,177 on Tuesday, but a high level when considered against the number of traders who were kept out of the market by bad weather conditions in South East England.

March long term gilts opened weak at 113-09, reflecting concern at sterling's fall to another record low against the D-Mark. It touched a low of 112-27, but recovered in late trading, as a US securities house bought several hundred contracts in the final 15 minutes before the close.

The pound's move up to its highest level against the dollar since mid-July, above the psychologically important level of $1.50 led to the recovery. The march contract touched a peak of 114-12, before closing at 114-09 compared with 113-29 on Tuesday.

March US Treasury bonds opened weaker at 100-03, and touched 99-29, before closing a little below the day's high at 100-10, and only just below the previous close of 100.13. A larger than expected rise of 4.4 per cent in December US retail sales had little impact. Excluding car sales the rise was only 0.9 per cent, and traders continued to believe the US economy is generally weak. On the other hand traders in Chicago expressed surprise that US credit markets did not fall further in view of the retail sales figures and the weakness of the dollar. The decline of the US currency and firm oil prices sparked renewed fears about rising inflation.

Some of the tables on this page show prices for January 13.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	13.58	14.13	0.00	0.03
102	11.58	12.17	0.00	0.07
104	9.58	10.24	0.00	0.14
106	7.60	8.37	0.02	0.27
108	6.01	6.58	0.07	0.48
110	4.16	5.26	0.22	1.16
112	2.46	4.05	0.52	1.59
114	1.36	2.63	1.42	2.53

Estimated volume total, Calls 1,485 Puts 1,218
Previous day's open int. Calls 14,463 Puts 7,532

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	10.26	9.49	0.00	0.11
92	8.26	7.61	0.00	0.23
94	6.29	6.17	0.03	0.43
96	4.57	4.49	0.11	1.11
98	2.99	3.51	0.33	1.57
100	1.40	2.28	1.14	2.54
102	0.49	1.40	2.23	4.02
104	0.19	1.03	3.57	5.29

Estimated volume total, Calls 290 Puts 273
Previous day's open int. Calls 1,241 Puts 242

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Calls—Last Feb	Puts—Last Jan	Puts—Last Feb
16250	15.70	15.77	0.00	0.07
16500	13.20	13.37	0.00	0.17
16750	10.70	11.05	0.00	0.35
17000	8.23	8.87	0.03	0.67
17250	5.94	6.88	0.14	1.18
17500	3.70	5.14	0.50	1.94
17750	2.00	3.68	1.30	2.98

Estimated volume total, Calls 26, Puts 45
Previous day's open int. Calls 306 Puts 117

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6467	0.6471	0.6420	0.6381
June	0.6498	0.6506	0.6455	0.6416
Sept.	0.6530	0.6530	0.6500	0.6450

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	262.35	262.70	259.60	261.35
June	623.20	263.60	260.40	261.30
Sept.	—	—	—	—
Dec.	264.90	264.90	262.30	263.85

MONEY MARKETS

Watching the pound and weather

THE WEATHER and the movement of sterling provided the centres of attention on the London money market yesterday. Dealing rooms were running on reduced staffing levels and began trading later than usual because of the bad weather affecting the London area.

In late trading the pound rose above $1.50, but this was too late to influence sentiment and was offset by sterling's fall to a record low against the D-mark, and a decline in the Bank of England's exchange rate index.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank rose slightly to 11⅛-11 per cent from 11 1/16-10 15/16 per cent, in quiet but nervous trading.

The Bank of England intially forecast a money market shortage of £200m, but revised this to a flat position at noon and to a shortage of £50m in the afternoon.

The authorities did not operate in the market during the morning, but after lunch bought £105m bank bills in band 4 at 10 11/16 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £309m, with a rise in the note circulation absorbing £80m and bank balances below target £30m. These outweighed Exchequer transactions adding £195m to liquidity.

In Frankfurt call money eased to 4.075 per cent from 4.10 per cent. The domestic money market remained liquid, after recent intervention by the Bundesbank to sell D-Marks as a result of speculative upward pressure on the West German currency The central bank denied there was to be a special meeting of the Bundesbank council today, to consider a cut in interest rates. The next regular meeting will take place today week.

In Brussels, Mr Mark Eyskens, Belgian Finance Minister, said he hoped last weekend's realignment of the European Monetary System would lead to lower German interest rates.

In Madrid the Bank of Spain raised the interest rate on overnight loans to 12⅛ per cent from 12 per cent, the fourth increase in the past three weeks. The move was said to be an attempt to bring money supply growth under control. Spain's principal measure of money supply, defined as broad based liquid assets in public hands, grew sharply in December, at an annualised seasonally adjusted rate of 13.4 per cent, compared with 8.7 per cent in November.

Company Notices

Banque Francaise Du Commerce Exterieur

300.000 9¼% Income Warrants to Subscribe

US$300,000,000 9¾% Guaranteed Bonds due 1996

NOTICE IS HEREBY GIVEN that, following the early redemption of the US$270.000.000 Guaranteed Floating Rate Notes due 1996 on December 17, 1986, the Warrants will be exercisable on the 16th day of March, June, September and December from (and including) March 16, 1987, to (and including) December 16, 1990.

Warrants not duly exercised before December 16, 1990, 5.30 pm (Luxembourg Time) will become void.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Warrant Agent

Luxembourg, January 15, 1987

COMPAGNIE FINANCIERE DE PARIBAS EMPLOYEE SHARE OFFER

Any former employee of:
Banque Paribas London Branch
Banque Paribas Capital Markets Ltd
Quilter Goodison Company Ltd
or any Subsidiary or Predecessor thereof
having had five or more years' service may be eligible to participate in the above offer on preferential terms.

If you think you qualify, please contact, by January 23, the relevant Staff Manager on:
Banque Paribas Capital Markets Ltd 929 4545
Banque Paribas London Branch 606 4177
Quilter Goodison Company Ltd

This notice has been issued by
BANQUE PARISBAS LONDON BRANCH
Date published: 15 January, 1987

KOREA GROWTH TRUST

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED

Clubs

Company Notice

TECK CORPORATION

Notice is hereby given to the registered holders of the Units of Teck Corporation that the Distribution Date will be January 16, 1987 after which the Class B Subordinate Voting Shares and Class B Subordinate Voting Share Purchase Warrants will be traded separately.

Warrants will be issued in bearer form and Warrant Certificates and letters of Transmittal will be mailed on or before January 21, 1987 to holders of record at the close of business on January 16, 1987. The Warrants are governed by the Warrant Indenture dated as of November 20, 1986 between Teck Corporation and National Trust Company, as trustee thereunder. Unit Certificates with a letter of transmittal may be surrendered and exchanged for Class B Subordinate Voting Share Certificates at the principal offices of National Trust Company in Montreal, Toronto, Winnipeg, Calgary and Vancouver and at Bankers Trust Company in London, England.

Each Warrant will entitle the holder to purchase one Class B Subordinate Voting Share for a price of $28.50. The Warrants are exercisable *after January 16, 1987 and on or before November 21, 1988*, after which the Warrants will expire.

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102[illegible]	99[illegible]	Exch. 13¼pc 1987	99[illegible]	–[illegible]	—	—
100[illegible]	97[illegible]	Treas 10½pcCv '87	99[illegible]	–[illegible]	—	—
99[illegible]	92[illegible]	Exch 2½pc 1987	99[illegible]	–[illegible]	2.52	10.60
101[illegible]	97½	Exch. 10½pc 1987	99[illegible]	.....	10.52	10.98
100[illegible]	93[illegible]	Funding 6½pc 85-87	100[illegible]	+[illegible]	6.56	9.23
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	.....	10.03	10.58
97[illegible]	90[illegible]	Treas 3pc 1987	97[illegible]	+[illegible]	3.07	8.03
104½	99[illegible]	Treas. 12pc 1987	101	+[illegible]	11.88	10.58
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97[illegible]	–[illegible]	7.93	10.19
104	96[illegible]	Exch 10½pc '88	99[illegible]	–[illegible]	10.52	10.61
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	98[illegible]	.....	9.86	10.63
94[illegible]	86[illegible]	Transport 3pc '78-88	93[illegible]	–[illegible]	3.22	7.95
102½	95[illegible]	Treas. 9½pc '88	98[illegible]	–[illegible]	9.69	10.69
107[illegible]	98[illegible]	Treas 11½pc 1989	101[illegible]	+[illegible]	11.36	10.79
103½	93[illegible]	Treas 9½pc Cnv 1989	97[illegible]	–[illegible]	9.73	10.70
92[illegible]	82[illegible]	Treas 3pc 1989	89[illegible]	–[illegible]	3.35	7.98
105[illegible]	95[illegible]	Treas 10½pc 1989	99[illegible]	–[illegible]	10.54	10.68
104[illegible]	94[illegible]	Exch 10pc 1989	98½	.....	10.15	10.71
107[illegible]	97	Exch 11pc 1989	100[illegible]	–[illegible]	10.94	10.73
93[illegible]	84½	Treas 5pc 1986-89	89[illegible]	+[illegible]	5.56	9.21
110[illegible]	94[illegible]	Exch 10½pcCv '89	108[illegible]	–[illegible]	10.21	10.08
114[illegible]	105[illegible]	Treas 13pc 1990‡‡	105[illegible]	–[illegible]	12.30	10.75
109[illegible]	97[illegible]	Exch 11pc 1990‡‡	100[illegible]	–[illegible]	10.93	10.75
113[illegible]	101[illegible]	Exch. 12½pc 1990	104[illegible]	–[illegible]	11.96	10.78
89[illegible]	79[illegible]	Treas. 3pc 1990	84[illegible]	–[illegible]	3.54	8.39
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	94[illegible]	+[illegible]	8.72	10.15
106[illegible]	93	Treas. 10pcCv 1990	97½	–[illegible]	10.24	10.74
86[illegible]	76[illegible]	Exch 2½pc 1990	81[illegible]	–[illegible]	3.07	8.17
112[illegible]	99[illegible]	Treas 11¾pc 1991	103[illegible]	–[illegible]	11.39	10.75
94[illegible]	83[illegible]	Funding 5¾pc '87-91‡‡	87½	–[illegible]	6.56	9.36
86[illegible]	79[illegible]	Treas. 3pc 1991●	80[illegible]	–[illegible]	3.72	8.40
100[illegible]	95[illegible]	Treas 10pc Cv '91	100[illegible]	+[illegible]	9.98	9.62
110[illegible]	96[illegible]	Exch. 11pc 1991	101[illegible]	–[illegible]	10.86	10.75

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
102	70	♦Metsec 10p	76	−2	L2.46	2.6	4.6	11.7
78½	45	Mitchell Cotts	66		1.5	2.1	3.2	17.0
128	81	♦Monks & Crane 10p	114		12.7	2.9	3.3	13.9
323	210	Morgan Crucible	320	+2	10.5	1.5	3.7	21.3
23½	15½	♦Morris (W) F.A. 20p	20	+½	—	—	—	—
157	65	Mylton Grp 10p	153	+1	♦2.63	2.6	2.4	19.8
365	213	♦NMW Computers	245	+5	16.0	3.0	3.4	14.1
141	27	Nash Inds	128		1.5	♦	1.7	♦
27½	12½	Neil & Spencer 10p	17		—	—	—	—
39	28	Newman Inds 10p	36		♦0.6	1.5	3.1	27.9
134	65	Noble & Lund 10p	90	−1	0.7	4.3	1.1	29.6
65	39	Nolton	51	+2	1.2	2.9	3.3	14.6
150	96	♦Norank Systems 5p	140	+1	♦1.5	—	1.5	17.9
286	187	Norcros	271		♦9.3	2.3	4.8	12.4
220	49	Nu-Swift 5p	220	+3	13.5	2.1	2.2	29.6
£356½	£228	OCE 9pc Cnv 1987-92	£312½		Q9%	—	2.9	—
118	80	Oakwood Grp	111		♦5.0	1.3	♦	15.4
250	173	Office & Elect	181	+3	8.5	2.9	6.6	7.4
34	26	♦Omnitech 1p	30		—	—	—	—
36	18	♦Optometrics $0.01	23		—	—	—	—
890	500	Oriflame £1	820	−5	♦28.5	2.1	4.9	15.9
13	5	Ovenstone 12½c	5		♦Q5.25c	1.9	20.0	2.6
142	85	♦PCT Grp 10p	125		♦8.2	—	5.3	—
£20½	£13¾	PLM 'B' Sk 25	£17½		Q23.2%	0.3	3.5	—
255	160	♦Pacer Systems $0.01	165		♦Q$3.84	4.3	1.6	14.5
78	44	♦Pacific Sales 10p	47	+2	3.0	1.4	9.0	11.2
528	246	Parker Knoll 'A'	525	−2	12.0	3.2	3.2	13.7
222	83	♦Parkfield Group 2p	211	−9	13.6	4.2	2.4	13.4
53	17	♦Parlon Intl	28		—	—	—	7.4
£130	£64½	Do 11pc CvLn '94-02	£90		Q11%	—	12.8	—
617	393	Pearson	598	−5	♦10.0	2.8	2.4	19.4
50	12	Peck Holdings 3p	41½	−½	—	—	—	—
176	88	Peerless	158	−2	6.3	1.5	5.6	(14.2)
519	141½	Pentland 10p	486	−7	♦0.75	22.4	0.2	27.7
£14	775	Photo-Me	£13		5.75	10.0	0.6	19.6
665	315	Pilkington Br. £1	651	+20	♦13.5	2.7	2.9	14.1
243	68	Do. Warrants	228		—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE—Continued

1986/87 High	Low	Stock	Price
112	55	Leisuretime Int 10p	67
123	91	♦Lewmar	105
98	71	♦Marina Dev. 50p	80
167	143	Mecca Leisure 10p	167
220	96	♦Media Tech Int 20p	106
170	130	Medminster 10p	170
220	130	♦Miss World 10p	188
90	62	Nationwide Leisure	63
17	8	♦Nimslo Int 20c	9
294	114	Onset Ex dtls $0.125	170
46½	23	♦Owners Abroad 3p	45
90	46	Photax (Lon.)	78
40	25½	♦P'dilly Radio NV 5p	40
78	25½	♦Pineapple 10p	72
391	280	Pleasurama 5p	316
178	136	Do. 7pcCvCnvRedPf	140
157	94	Prestwich	116
48	18	♦Radio City 'A' NV	48
58	33	♦Radio Clyde NV	53
403	322	Really Useful Grp 5p	363
64	36½	Riley Leisure 10p	50
280	129	Saga Hols. 20p	159
355	148	Samuelson Grp 20p	195
123	69	♦Sangers Photo 10p	82
178	93	Scaan 20p	100
363	175	Scott. TV 10p	340
27	7	♦SelecTV 10p	15
37	20	♦Spectrum 5p	25
199	139	Stanley Leisure	190
49¾	31	TSW 5p	48
233	137	♦TV-am 10p	232
282	144	TVS N/Vtg 10p	275
108	59	♦Television Secs 50p	78
340	219	Thames TV	331
74	50	Tottenham Hotspur	65
96	60	♦Trident 10p	93
271	240	♦Tyne Tees TV 'A' £1	271
[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

INSURANCES

LEISURE

PROPERTY

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 42
(International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 22	Jan 8	Jan 9	Jan 19
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16

* New time dealings may take place from 9.00 am two business days earlier.

Successful recovery from early selling by equities and Government securities

The UK securities markets staged a highly successful recovery from a bout of profit-taking yesterday, in a session marked by a significant depletion of the City's trading ranks as Britain's worst winter weather for many years played havoc with commuter train schedules. The FT-SE 100 reached a new peak in late trading.

By the end of the day, Government bonds had replaced early falls with a scattering of minor gains, while the equity market had fully recovered an early loss of 14 points on the FT-SE 100 index.

Buoyancy in world oil prices, rumours of another opinion poll favouring the Thatcher Government, and a strong opening on Wall Street, all helped outweigh worries over the weaker trend in the sterling exchange rate index.

The FT-SE 100 index moved into plus territory in the closing minutes, ending a net 1.9 up at 1765.2. The FT ordinary index was 1389.0 down 4.9.

The equally successful rally in Gilts softened worries over the outlook for domestic interest rates, while the fall in the sterling/D-mark rate again encouraged exporter stocks. Traders commented that selling pressure was light and came mostly in the first two hours, when trading desks were thinly manned because of travel problems. With senior dealers often delayed, junior traders, unwilling to take on positions, allowed prices to fall.

Oil stocks at first gave back a few pence of recent gains, but the market remained bullish over oil prices, and took a relaxed view of the United Arab Emirates' departure from Opec production schedules.

Britoil stood firm against the trend, and led a recovery which soon spread across the market. At the close, Britoil were comfortably higher on the day on turnover of 10m shares. British Petroleum (6.6m) closed higher after recouping early loss, as did Shell (2.4m shares).

International stocks brushed off the initial round of losses, which were ascribed to profit-takers rather than genuine sellers. Imperial Chemical Industries led the trend, rallying to end firmer on the day, and GEC provided a firm feature throughout. Early buying of Cadbury Schweppes fizzled out, however, on news that Canadian interests had been sold off—the speculators wanted news of a bid.

There was further selling of Guinness as the City awaited the outcome of the day's meeting of the directors, which takes place against the backcloth of recent boardroom departures and rumours that more questionable share deals may be disclosed.

Government bonds opened half a point off as sterling continued to ease against the D-Mark. But prices turned round sharply as trading desks got up to full strength and rumours circulated that today's (Thursday) UK press would carry an opinion poll favouring the Government. Prices were edging upwards at the close, when the FT Government Securities index was 0.25 higher at 84.820.

The sterling exchange rate is still well above levels at which alarm bells will ring in the City. The market is prepared to find evidence of inflation in the UK retail sales figures due tomorrow.

Midland down again

Fund-raising worries continued to plague Midland which reacted afresh on nervous offerings to touch 570p before closing 5 lower on balance at 577p. TSB, however, edged forward a fraction to 76½p ahead of the preliminary results scheduled for January 29. Elsewhere, Hill Samuel charged further forward, rising 14 more to 495p on renewed speculative buying fuelled by hopes of a bid from either NZI or FAI-Insurances, which recently acquired respective stakes of 4.5 and 7.4 per cent in the merchant bank. Morgan Grenfell firmed 6 more to 411p on further consideration of the internal committee set up by MG to investigate its organisation and management controls and recommend improvements. Kleinwort Benson, at 584p, on the other hand, met with profit-taking and lost 9 of the recent good rise which has accompanied far-eastern stakebuilding speculation. Among Hire Purchases, Provident Financial put on 6 more at 317p.

Composites shrugged aside fears of substantial claims arising from the current appalling weather conditions in the UK and staged a useful rally. Royals recovered 5 at 859p and General Accident improved 7 at 854p. Elsewhere, Equity and Law firmed 3 to 336p following the announcement that Mr Ron Brierley's IEP Securities had increased its stake in the company to over 19 per cent. Currency considerations affected Lloyds Brokers with Sedgwick closing 3 off at 320p and C. E. Heath the same amount lower at 444p.

Breweries gave ground across the board with losses of around 5 common to Allied-Lyons, 341p, and Whitbread A, 273p. Guinness, down to 285p at one stage reflecting further Press revelations, rallied slightly to 289p—a net loss of 7—awaiting a statement from yesterday's three-hour board meeting brokers Greenwell Montagu rate Guinness as a "buy for the brave" at the 290p level.

Recently-firm leading Buildings—with one notable exception—were marked lower in the absence of further buying interest. The bright spot was provided by John Laing, up 4 more at 436p, largely reflecting the efforts of one persistent buyer. Elsewhere, Redland came back 6 to 446p and RMC lost 10 at 714p. Barratt Developments, sustained by favourable comment, hardened 2 more to 170p. John Mowlem eased 4 to 388p and Alfred McAlpine shed 6 to 416p. Secondary issues displayed a bright feature in Ruberoid which gained 13 to 335p, reflecting speculative buying. Dealings in Feb International issues resumed with the Ordinary closing at 153p and the A at 103p compared with the respective suspension prices of 108p and 78p following details of an agreed cash offer for the company worth £8m from Tarmac; the latter closed 8 off at 454p.

Recent strong performer ICI were a fraction dearer at £11¼ at the close.

Sears active

Stores retained an irregular appearance. Early attention again centred on Dixons which fell 12 more to 324p as the interim profits, although a record for the company, still fell short of some analyst's expectations; sentiment was also affected by continuing concern that Dixons is set to make a substantial acquisition in the US and leading brokers consequently rate the shares no better than a "hold." Woolworth were again overshadowed by suggestions that Dixons will sell its 5 per cent holding and closed 5 cheaper at 680p, after 677p; traded options in Woolworth are to be introduced from next Thursday. In sharp contrast, Sears were one of the session's most active stocks, as some 21m shares changed hands; Sears, buoyed late last year by talk of a stakebuilding exercise by Australian Robert Holmes à Court, rose 5 to 129p with dealers reportedly satisfying a single order for over 5m shares, although this was understood not to have emanated from antipodean sources.

First Security provided an outstanding firm feature in Electricals. The group, in which Mr David Wickins' BCA holds a near-45 per cent stake, jumped 25 to 250p in response to the excellent interim results, bullish accompanying statement and news that United Technologies Corporation of Connecticut, USA, is to take a 9.9 per cent stake in the company. Crystalate, meanwhile, rose 16 to 268p on speculative buying and Druck added 10 at 483p. Multitone improved a few pence at 68p despite the interim deficit, but CASE lost 6 at 93p. The leaders moved narrowly in moderate trading. GEC attracted a fair buying interest, however—over 6m shares changed hands—and the close was 4 higher at 194p. British Telecom shrugged aside labour worries with an improvement of 2 at 218p. W. A. Tyzack highlighted Engineers with a leap of 24 to 102p on the revelation that the chairman had declined a bid approach from Noble and Lund. Blackwood Hodge rose 4½ to 50p on speculative buying and improvements of 30 and 11 respectively were seen in Staveley Industries, 610p, and Desoutter, 243p. Stothert and Pitt fell 6 at 109p.

Among Retailers, ASDA-MFI revealed interim profits more or less in line with market estimates, but the price fell away to close 8 lower at 154p following profit-taking. Argyll, still regarded as favourite to buy the Safeway UK supermarket operation, gave up 8 at 335p. In the Food Manufacturing sector, Cadbury Schweppes, a firm market of late reflecting a revival of takeover rumours, eased a penny to 204p: yesterday, the group announced the sale of its Canadian confectionery business to George Weston Limited for C$47m. Unigate shed 3 to 335p, as did United Biscuits, to 239p. Rowntree Mackintosh were 9 lower at 421p. Elsewhere, Sidney C. Banks gained 25 to 400p in reply to the increased half-year profits, while Hazlewood moved up 6 to 176p.

Moving sharply against the trend in a quietly dull Hotel sector, Ladbroke, which announced a sizeable US property purchase on Tuesday, rallied 8 to 396p. Grand Metropolitan were a shade cheaper at 452p and Trusthouse Forte a penny off at 180p, the latter ahead of today's annual results.

Pilkington up late

Miscellaneous industrials were featured by a late speculative spurt in Pilkington which touched 655p before closing 20 higher on balance at 651p on rumours that the authorities would today clear the way for an increased offer from BTR by not referring the original hostile offer to the monopolies commission; BTR closed 2 off at 291p. Elsewhere, US favourites Beecham added 5 at 470p and Glaxo rose 18 to 1137p. Wellcome, recently weak on fears of US competition for its anti-Aids drug, rallied 7 to 257p in response to the chairman's optimistic statement at the annual meeting. British Aerospace rose 8 at 558p in belated reply to the £1.35bn Airbus deal, while Valor firmed 6 afresh to 294p on further consideration of the current freezing weather. Hopes of a bid from either Overseas Strategic of Australia or Mr Ron Brierley helped Redfearn Glass move up 5 more at 381p, while Isotron jumped 29 to 229p in a thin market and Worcester added 6 at 286p. Sharply higher first-half profits induced buying of Bespak which closed 6 up at 132p, but litigation worries continued to unsettle Christies International, 12 down at 326p. Lilleshall, at 193p, succumbed to profit-taking and lost 17 of this week's heady rise which followed news of Mr John Leek's appointment as chairman and acquisition of a 7 per cent stake in the company. The absence of the widely-rumoured bid left J. H. Fenner 9 off at 146p, while A. B. Ports dipped 6 to 355p on profit-taking. Parkfield closed 8 lower at 212p following the interim results.

Television issues, star performers recently partly reflecting overseas demand, turned easier with the onset of light profit-taking. Thames came back 9 to 331p and Yorkshire slipped 4 to 196p, while Television South lost 9 to 273p following a lukewarm press for the annual results. Against the trend, Anglia attracted further support and firmed 11 afresh to 305p.

Newspaper comment prompted a flurry of interest in Entertainment Products which gained 7 to 25p.

As on Tuesday, Motor Distributors proved to be one of the market's brighter sectors as persistent inquiry again found marketmakers short of stock. C. D. Bramall, a long-time bid chestnut, were once more to the fore, rising 21 for a two-day gain of 35 to 183p. T. Cowie were also favoured and improved 13 to 241p, while Lookers, scheduled to reveal preliminary figures next Tuesday, put on 5 to 218p. Truck manufacturer ERF met revived interest and sported 18 more to 78p, but sellers held sway in Jaguar, finally 10 cheaper at 573p.

Hunterprint, still responding to the encouraging tone of the chairman's statement that accompanied the preliminary results, hardened 3 more to 361p. Ireland's Jefferson Smurfit, on the other hand, encountered sporadic profit-taking and settled 8 lower at 370p. Dealings in Ault and Wiborg, suspended at 31p since last September, resumed yesterday and touched 73p before settling at 70p.

Leading Properties mirrored the lower trend. Peachey, a firm market of late on asset value considerations, slipped 2 to 299p and Slough Estates softened 2 to 187p. Elsewhere, Connells, which recently announced the purchase of another chain of estate agents, picked up 8 to 283p, while Westminster and Country gained 8 to 174p. Tops Estates were 13 higher at 348p in a restricted market.

Financials featured A. C. Holdings, 35 to the good at 395p amid revived asset injection hopes. Buyers also showed enthusiasm for Argyle Trust, 86 up at 112p, while Mercantile House, firm recently following a favourable Press, hardened a few pence to 403p.

Oils dip and rally

A strong opening by Wall Street helped reverse an early decline in prices of the Oil majors and the majority closed with small gains overall. Britoil were again among the day's most actively traded stocks (10m) and the price, having fallen to 186p early on, rallied strongly to close 7 higher on balance at 196p. British Petroleum were finally 12 up at 788p, after 770p. Tricentrol, down to 82½p at one stage, picked to close only 3 cheaper at 87p, while Enterprise rallied from 185p to close at 198p, a net loss of 6.

Dealings in BOM Holdings were suspended at 18¼p at the company's request pending an announcement on the outstanding litigation with Wardle Middle East relating to an option agreement in respect of the 49 per cent stake in Emirex Petroleum.

The continued weakness in the dollar, and the consequent firmness in bullion prices, finally $10 up at $419.25 an ounce, brought further gains in gold shares. Dealers reported strong demand across the full range, with buyers from New York, the Continent and London keeping the market active throughout the session.

There were some signs that trading books were being squeezed as the persistent strength of the market drained stock out of marketmaker portfolios. But with the dollar still attracting bearish views on all sides, few analysts predict any near term easing in the upward pressures on gold producer shares.

Interest focused on the major names, where gains stretched to £3 in some of the higher priced issues. Vaal Reefs (£82⅜) and Western Deep Levels (£29¼) were firm features. The FT Gold Mines index put on 9.2 points to 335.5.

Consolidated Gold Fields advanced 13 to 722p, mainly reflecting the physical covering of traded option positions—the stock attracted over 8,000 contracts yesterday.

Traded Options

The absence of many operators due to the weather clearly hit traded option activity. Total contracts transacted amounted to 34,730—well short of Tuesday's near-60,000 volume. Much of the session's excitement centred on Consolidated Gold Fields which attracted 8,023 calls, the January and April 700 series accounting for 3,742 and 3,042 trades respectively. British Gas contributed 2,696 calls and 2,249 puts, while Dixons recorded 993 calls and 598 puts following the interim statement. A lively and evenly-balanced business in the FT-SE 100 index resulted in 1,885 calls and 1,725 puts.

Traditional Options

- First dealings
  Jan 5 Jan 19 Feb 2
- Last dealings
  Jan 16 Jan 30 Feb 13
- Last declaration
  Apr 2 Apr 23 May 7
- For Settlement
  Apr 13 May 5 May 18

For rate indications see end of Unit Trust Service

Money was given for the call of Premier Oil, Mitchell Cotts, Aran Energy, GKN, Goodman Brothers, Telemetrix, Benlox, Walter Lawrence, Ryan International, Eglington, Atlantic Resources, Jack L. Israel, Storehouse and Norfolk Capital. Puts were taken out in Boddingtons and United Guarantee. A double was transacted in Amstrad.

FINANCIAL TIMES STOCK INDICES

	Jan. 14	Jan. 13	Jan. 12	Jan. 9	Jan. 8	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	84.82	84.57	85.23	85.31	85.21	80.98	94.51 (18/4/86)	80.39 (28/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.26	91.25	91.47	91.43	91.29	86.64	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,389.0	1,393.9	1,389.4	1,386.4	1,372.5	1,109.6	1,425.9 (3/4/86)	1,094.3 (14/1/86)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	335.5	326.3	337.5	324.9	319.6	311.6	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.12	4.12	4.13	4.14	4.17	4.46				
Earnings Yld.%(full)	9.72	9.72	9.76	9.78	9.88	10.93				
P/E Ratio (net) (*)	12.62	12.63	12.58	12.54	12.43	11.36				
SEAQ Bargains (5 pm)	28,431	37,045	42,778	47,658	46,181	—				
Equity Turnover (£m)	—	1,399.09	1,319.81	2,080.16	1,338.87	391.79				
Equity Bargains	—	50,164	53,668	65,117	50,475	19,948				
Shares Traded (ml)	—	565.3	593.0	650.3	715.5	196.4				

S.E. ACTIVITY

Indices	Jan. 13	Jan. 12
Gilt Edged Bargains	123.2	115.7
Equity Bargains	325.0	347.7
Equity Value	2827.9	2667.7
5-Day Average		
Gilt Edged Bargains	136.9	139.9
Equity Bargains	347.2	341.1
Equity Value	2948.2	2918.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1382.5	1386.1	1380.2	1380.6	1381.6	1382.1	1383.7

Day's High 1389.9. Day's Low 1379.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.16.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986/87

NEW HIGHS (159)

BRITISH FUNDS (1), AMERICANS (4), CANADIANS (3), BANKS (1), BUILDINGS (13), CHEMICALS (7), STORES (5), ELECTRICALS (13), ENGINEERING (10), FOODS (6), INDUSTRIALS (20), INSURANCE (1), LEISURE (9), MOTORS (7), NEWSPAPERS (1), PAPER (5), PROPERTY (5), SHIPPING (1), TEXTILES (4), TRUSTS (57), OILS (2), OVERSEAS TRADERS (1), MINES (3).

NEW LOWS (9)

AMERICANS (2) IBM Corp, Saul (B.F.), BUILDINGS (1) Ward Group, CHEMICALS (1) Morceau, ELECTRICALS (1) INSTEM, FOODS (1) Cranswick Mill, INDUSTRIALS (1) Dominion Int, TRUSTS (2) Transcont Serv Warrants, Yelverton Inv.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,300	154	−8	Ladbroke	2,300	396	+8
Allied Lyons	2,000	341	−4	Land Securities	797	336	−6
BAT	4,900	598	−2	Legal & Gen.	1,000	263	—
BET	917	477	+1	Lloyds Bnk	323	469	+2
BOC	2,200	383	−7	Lonrho	580	249	—
BTR	3,300	291	−2	Marks & Spncr	5,400	196	+1
Barclays	1,100	524	−3	Midland Bank	475	577	−5
Bass	397	770	−1	NatWest Bank	627	559	—
Beecham	2,300	470	+5	Pearson	383	598	−5
Blue Circle	856	716	−2	P & O	914	546	—
Boots	3,500	247	—	Pilkington Bros	2,400	651	+20
Brit. Aero	1,400	558	+8	Plessey	1,100	196	−1
Brit. Gas	45,000	70	—	Prudential	551	834	—
Britoil	10,000	196	+7	Racal	1,900	184	—
BP	6,700	788	+12	Rank Org	1,000	569	—
Brit. Telecom	4,500	218	+2	Reckitt & Col	268	916	−1
Burton	1,400	292	+2	Reuters	900	588	—
Cable & Wire	3,400	362	−5	RTZ	440	747	−5
Cadbury Schwps.	7,500	204	−1	Rowntree Mac.	346	421	−9
Coats Viyella	240	520	—	Royal Insurance	1,300	859	+5
Comm. Union	3,800	284	+2	STC	3,200	192	−2
Cons. Gold	698	722	+13	Sainsbury	506	434	−4
Courtaulds	1,600	355	−2	Sears	21,000	129	+5
Dee Corp	2,700	227	−1	Sedgwick	204	320	−3
Dixons Grp	6,400	324	−12	Shell Trans	2,700	£10¹⁄₁₆	+0⁵⁄₁₆
Fisons	1,000	590	−5	Smith & Nephew	735	133	−3
Gen. Accident	166	854	+7	Standard Chart.	179	779	−8
Gen. Elect.	6,700	194	+4	Storehouse	1,100	270	−1
Glaxo	1,900	£11⅜	+0⅛	Sun Alliance	751	689	+5
Grand Met	1,500	452	−1	TSB	5,400	76½	+0½
Gus "A"	77	£10⅜	+0⅛	Tesco	2,400	428	—
Guardian R.E.	530	819	+7	Thorn EMI	496	499	−9
GKN	625	292	—	Trafalgar House	644	295	−3
Guinness	5,600	289	−7	T'house Forte	204	180	−1
Hanson Trust	7,900	205	+1	Unilever	209	£21⅞	—
Hawker Sidd	1,000	499	−4	United Biscuits	1,500	239	−3
ICI	1,500	£11¼	+0⅛	Wellcome	2,200	257	+7
Jaguar	1,400	573	−10	Woolworth	608	680	−5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	22	78	13
Corporations, Dominion and Foreign Bonds	1	3	66
Industrials	332	488	709
Financial and Properties	116	164	304
Oils	24	36	53
Plantations	—	—	14
Mines	42	27	114
Others	55	65	81
Totals	592	861	1,354

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jan 14 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues Jan 13 Index No.	Mon Jan 12 Index No.	Fri Jan 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	743.75	−0.1	8.39	3.51	15.09	0.13	744.66	739.76	736.35	569.90
2	Building Materials (27)	910.25	−0.6	8.19	3.58	15.37	0.40	915.67	912.00	911.27	617.54
3	Contracting, Construction (28)	1268.19	−0.7	7.45	3.69	18.46	0.34	1277.43	1268.18	1260.45	921.25
4	Electricals (12)	1885.48	−0.7	7.99	4.47	16.06	0.00	1899.48	1882.97	1850.71	1144.13
5	Electronics (38)	1632.19	+0.6	8.78	2.52	15.12	0.00	1622.82	1619.13	1603.74	1420.70
6	Mechanical Engineering (61)	425.24	+0.1	9.36	3.89	13.61	0.13	424.74	422.98	420.21	321.72
8	Metals and Metal Forming (7)	391.24	+0.8	9.34	3.80	13.00	0.00	387.98	386.05	381.51	252.10
9	Motors (15)	289.31	−0.5	9.51	3.63	12.13	0.00	290.77	291.47	290.61	210.70
10	Other Industrial Materials (21)	1277.99	−0.4	7.09	4.31	16.84	0.09	1283.15	1256.17	1260.55	997.28
21	CONSUMER GROUP (186)	996.42	−0.2	7.34	3.16	17.51	0.39	997.99	979.63	998.45	749.84
22	Brewers and Distillers (22)	958.14	−0.8	8.87	3.62	14.15	0.00	965.42	970.08	980.62	777.14
25	Food Manufacturing (25)	759.37	−0.6	8.82	3.69	14.85	1.02	763.59	762.53	768.05	555.18
26	Food Retailing (16)	1955.92	−1.3	6.76	2.74	20.61	1.94	1982.11	1974.51	1969.38	1682.14
27	Health and Household Products (10)	1775.14	+0.9	5.35	2.14	21.66	0.00	1759.45	1756.22	1751.91	1182.27
29	Leisure (31)	1022.21	−0.3	7.39	3.98	17.73	0.25	1025.01	1026.44	1024.63	747.19
31	Packaging & Paper (14)	525.01	−0.5	6.52	3.18	19.85	0.18	527.81	527.41	527.04	365.77
32	Publishing & Printing (14)	2941.38	—	6.73	3.88	19.19	3.41	2942.17	2940.00	2920.09	1838.81
34	Stores (37)	869.02	+0.3	7.31	3.09	18.59	0.01	866.42	875.62	874.03	738.69
35	Textiles (17)	602.28	−0.3	8.76	3.41	13.14	0.00	604.22	598.16	588.47	379.65
40	OTHER GROUPS (87)	869.82	—	8.80	3.79	14.13	0.06	869.37	864.00	857.46	703.94
41	Agencies (16)	1174.81	−0.2	4.98	1.87	27.38	0.00	1176.93	1169.92	1158.24	0.0
42	Chemicals (21)	1096.58	+0.1	8.09	3.85	15.06	0.22	1095.45	1084.75	1079.20	734.24
43	Conglomerates (13)	1184.61	—	7.29	3.68	16.28	0.15	1183.91	1176.00	1170.03	0.0
45	Shipping and Transport (11)	1653.44	−0.3	7.39	4.56	16.83	0.00	1658.02	1665.33	1652.38	1334.56
47	Telephone Networks (2)	877.75	+0.4	10.65	4.39	12.80	0.00	874.12	874.61	866.15	861.92
48	Miscellaneous (24)	1201.93	−0.3	9.97	3.44	11.31	0.00	1206.13	1188.32	1178.47	885.84
49	INDUSTRIAL GROUP (482)	908.60	−0.1	8.01	3.42	15.83	0.22	909.43	907.08	903.63	698.63
51	Oil & Gas (18)	1609.01	+0.8	10.58	5.63	11.94	0.00	1595.61	1565.81	1562.07	1134.97
59	500 SHARE INDEX (500)	967.99	—	8.39	3.75	15.10	0.20	967.56	962.78	959.32	735.96
61	FINANCIAL GROUP (117)	638.39	−0.1	—	4.46	—	0.10	639.04	637.87	640.27	513.59
62	Banks (8)	708.96	−0.2	18.00	5.24	7.63	0.00	702.23	692.92	696.24	525.03
65	Insurance (Life) (9)	902.25	−0.1	—	4.30	—	0.00	903.15	906.72	910.23	784.25
66	Insurance (Composite) (7)	477.88	+0.7	—	4.54	—	0.00	474.53	481.50	488.01	413.64
67	Insurance (Brokers) (9)	1169.86	−0.4	8.16	4.53	15.92	0.97	1174.10	1183.78	1179.97	1170.30
68	Merchant Banks (11)	380.68	+0.2	—	3.83	—	0.00	379.86	378.66	377.88	280.09
69	Property (47)	822.19	−0.8	5.09	3.58	22.09	0.00	828.91	827.25	830.03	649.19
70	Other Financial (25)	398.76	—	7.59	3.82	16.62	0.48	398.66	397.69	394.84	289.52
71	Investment Trusts* (96)	900.05	−0.1	—	2.55	—	0.25	901.10	897.87	897.56	634.73
81	Mining Finance (2)	365.67	+0.3	8.54	4.39	13.76	0.00	364.67	364.04	355.58	262.83
91	Overseas Traders (12)	808.43	−0.1	9.90	5.61	12.23	0.00	809.27	812.38	810.32	609.73
99	ALL-SHARE INDEX* (727)	879.65	—	—	3.83	—	0.18	879.51	875.74	873.53	672.02

	Index No.	Day's Change	Day's High	Day's Low	Jan 13	Jan 12	Jan 9	Jan 8	Jan 7	Year ago
FT-SE 100 SHARE INDEX ♦	1765.2	+1.9	1765.2	1746.3	1763.3	1755.6	1752.3	1733.1	1722.2	1390.5

FIXED INTEREST

	PRICE INDICES	Wed Jan 14	Day's change %	Tues Jan 13	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.05	—	120.05	—	0.40
2	5-15 years	134.35	+0.12	134.18	—	0.08
3	Over 15 years	141.10	+0.19	140.83	—	0.00
4	Irredeemables	152.18	−0.69	153.24	—	0.00
5	All stocks	131.78	+0.09	131.67	—	0.18
	Index-Linked					
6	5 years	116.31	−0.12	116.46	—	0.00
7	Over 5 years	113.14	−0.25	113.43	—	0.15
8	All stocks	113.62	−0.23	113.89	—	0.13
9	Debentures & Loans	114.64	−0.93	115.71	—	0.14
10	Preference	80.23	+0.16	80.10	—	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 14	Tues Jan 13	Year ago (approx.)
	British Government				
1	Low	5 years	9.59	9.58	10.07
2	Coupons	15 years	9.92	9.93	10.54
3		25 years	9.92	9.93	10.55
4	Medium	5 years	10.59	10.59	11.78
5	Coupons	15 years	10.21	10.23	10.98
6		25 years	10.01	10.00	10.53
7	High	5 years	10.69	10.70	11.91
8	Coupons	15 years	10.37	10.38	11.16
9		25 years	10.07	10.06	10.68
10	Irredeemables †		9.89	9.82	10.28
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	3.77	3.68	0.0
12	Inflat'n rate 5%	Over 5 yrs.	3.79	3.77	0.0
13	Inflat'n rate 10%	5 yrs.	2.31	2.22	0.0
14	Inflat'n rate 10%	Over 5 yrs.	3.64	3.62	0.0
15	Debs &	5 years	11.21	11.07	12.21
16	Loans	15 years	11.20	11.07	11.76
17		25 years	11.20	11.07	11.75
18	Preference †		11.68	11.70	12.04

♦Opening index 1749.1; 10 am 1757.1; 11 am 1754.9; Noon 1748.6; 1 pm 1749.4; 2 pm 1751.5; 3 pm 1753.9; 3.30 pm 1755.6; 4 pm 1757.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*341)	280	63	72	78	0½	2	3
	300	43	53	62	1	3	9
	330	14	32	37	4	11	20
	360	1	14	21	23	30	37
[illegible]							

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*396)	330	73	80	87	1	2	3
	360	45	53	62	1½	6	9
	390	20	32	43	6	16	18
	420	7	16	23	25	35	38
[illegible]							

January 14. Total Contracts 34,730. Calls 24,107. Puts 10,623. FT-SE Index Calls 1,885 Puts 1,725. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§122	F.P.	2/1	153	135	‡Ashtead Group 10p	152		R3.0	3.5	2.8	14.4
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Jan. 14	Price Sch.	+ or −
Credit'nst'lt pp	2,100	....
Goesser	3,090	-20
Interunfall	13,000	50
Jungbunzlauer	11,200	.....
Laenderbank	2,100	...
Perimooser	625	+7
Steyr Daimler	156	-3
Veitscher Mag	11,047	3

BELGIUM/LUXEMBOURG

Jan. 14	Price Frs.	+ or −
B.B.L.	3,090	10
Banq. Gen. Lux.	16,000	.....
Banq. Int. A.Lux.	15,150	.....
Bekaert	10,000	.....
Ciment CBR	3,900	−10
Cockerill	133	+2
Delhaize	2,840	10
EBES	4,910	+40
Electrobel	14,925	.....
Fabrique Nat.	1,900	−5
GB Inno BM	9,350	+150
GBL (Brux)	3,580	−10
Generale Bank	6,200	+50
Gevaert	6,010	−110
Hoboken	7,960	+60
Intercom	3,870	+50
Kredietbank	4,050	+10
Pan Hldgs.	10,700	−50
Petrofina	9,320	-150
Royale Belge	29,393	.....
Soc. Gen. Belge.	3,385	+5
Sofina	11,750	-50
Solvay	6,390	-20
Stanwick Intl.	230	.....
Tractionel	6,610	+30
UCB	9,870	+170
Wagons Lits	5,600	+200

DENMARK

Jan. 14	Price Knr %	+ or −
Baltica Skand.	806	−25
Cop Handels'nk.	291	.....
D. Sukkerfab.	358	.....
Danske Bank	356	−4
East Asiatic	189	.....
Forenede Brygg.	895	.....
GNT Hld	310	.....
I.S.S.B.	800	+30
Jyske Bank	500	−5
Novo Inds *	249	.....
Privatbanken	280	.....
Sophus Berend.	765	.....
Superfos	158	.....

FINLAND

Jan. 14	Price Mks	+ or −
Amer	188	+0.5
KOP	47	+0.25
Kone	198	+4
Finnish Sugar	105	+2
Nokia	152	+0.5
Pohjola "B"	77	−2.9
Rauma-Repola	20	+0.25
Stockmann "B"	149	.....
UBF "C"	32.5	+0.3
Wartsila (§11)	158	−3

NETHERLANDS

Jan. 14	Price Fls	+ or −
ACF Holding	64.1	+0.19
AEGON	86.5	+1.0
Ahold	105.4	+0.7
AKZO	143.4	+1.2
ABN	610	+10
AMEV	71.9	+0.9
AMRO	87.8	+0.6
Bredero Cert	81	−2
Bos Kalis Westm	9.5	−0.1
Buehrmann Tet.	84.5	+0.5
Calland Holdings	19.6	.....
Dordtsche Pet'm	197.7	−0.3
Elsevier-NDU	341	+1.5
Fokker	58.2	+1.4
Gist Brocades	40.5	+0.5
Heineken	165.5	−1.0
Hoogovens	31.5	+1.8
Hunt'r Doug NN	57.7	+0.5
Int. Mueller	66.2	+5.7
KLM	36.6	+0.5
KNP	155	−1
Naarden	90	.....
Nat Ned Cert	79	−0.5
Ned Mid Bank	190.5	+4.0
Nedlloyd	176	+0.6
Oce Grinten	492	+12
Ommeren (Van)	36	-0.5
Pakhoed	66.9	+1.1
Philips	43.4	.....
Robeco	94.4	+0.1
Rodamco	138.9	+0.5
Rolinco	82.7	+0.2
Rorento	49.8	-0.1
Royal Dutch	210.4	−1.6
Unilever	518	+0.5
VMF Stork	26	+1
VNU	342.7	-0.3
Wessanen	80.7	−1.5
West Utr Bank	50	.....

GERMANY

Jan. 14	Price Dm.	+ or −
AEG	312.6	+4.1
Allianz Vers	1,990	-8
BASF	256	+0.5
Bayer	289	−3.1
Bayer-Hypo	625	+5
Bayer-Verein	473	.....
BHF-Bank	495	+4
BMW	514	+9
Brown Boveri	287	+11
Commerzbank	295	3.9
Cont'l Gummi	313	+2.5
Daimler-Benz	1,195	14
Degussa	467	+2
D'sche Babcock	211.5	+0.3
Deutsche Bank	770	+10
Dresdner Bank	380.5	+9.5
Feld-Muehle Nbl	270.5	-1.0
Henkel	468	−6.5
Hochtief	945	−5
Hoechst	257	−3
Hoesch werke	107.8	.....
Holzmann (P)	625	−5
Horten	231	+5
Hussel	601	+10
Karstadt	448	−6
Kaufhof	503	+2
KHD	156.6	.....
Kloeckner	60.0	+0.5
Linde	673	+2.9
Lufthansa	176	−2
MAN	164	−5
Mannesmann	163	+1
Mercedes Hld.	957	+1
Metallgesell	285	+8
Muench Rueck	2,350	−50
Nixdorf	731	+10.5
Porsche	990	-4
Preussag	188	+1.5
Rhein West Elect	220.5	.....
Rosenthal	325	+6
Schering	652.5	+1.5
Siemens	700.8	+6.5
Thyssen	114.5	+2.5
Varta	372	+5.5
Veba	290.5	+3.5
V.E.W.	156.7	+0.1
Verein-West	476	.....
Volkswagen	379.5	−3.5

ITALY

Jan. 14	Price Lira	+ or −
Banco Com'le	27,000	+20
Bastogi-IRBS	669	+2
Centrale	3,570	.....
C.I.R.	6,945	-55
Credito Italiano	3,450	..
Fiat	14,100	50
Generali Assicur.	133,380	+880
Italcementi	73,700	+200
La Rinascente	992	+4
Montedison	2,780	45
Olivetti	12,940	10
Pirelli Co.	7,200	.....
Pirelli Spa	5,001	-64
Saipem	4,580	-10
Snia BPD	4,750	−65
Toro Assic	32,500	+300

FRANCE

Jan. 14	Price Frs.	+ or −
Emprunt 4½% 1973	1,610	+20
Emprunt 7% 1973	8,645	-45
Accor	499	-1
Air Liquide	700	.....
BIC	759	+3
Bongrain	2,515	+5
Bouygues	1,235	−7
BSN Gervais	4,545	+65
CIT Alcatel	2,403	+2
Carrefour	3,745	+35
Club Mediter'n	753	+16
Cie Bancaire	1,118	-7
Cofimeg	401	-3.8
Damart	2,560	+2
Darty	484	-1
Dumez S.A.	2,050	+49
Eaux (Cie Gen)	1,549	+15
Elf Aquitaine	342	+11
Essilor	3,765	+60
Gen.Occidentale	1,090	−7
Imetal	10.1	+11
Lafarge Coppee	1,460	+10
L'Oreal	3,990	+55
Legrand	5,320	-120
Maisons Phoenix	187.5	+5.2
Matra S.A.	2,350	-5
Michelin B	2,760	+2
Midi (Cie)	1,534	+10
Moet.Hennessy	2,350	-10
Moulinex	99	+5
Nord Est	201	+2
Pernod Ricard	1,067	-6
Perrier	800	+1
Petroles Fra.	447	+6.5
Peugeot S.A.	1,280	10
Printemps (Au)	560	-1
Radio tech	1,045	+7
Redoute	2,700	-9
Roussel-Uclaf	1,640	+10
Sefimeg	464	+4
Skis Rossignol	1,425	+20
Telemec Elect.	3,380	+70
Thomson (CSF)	1,590	+40
Valeo	539	+40

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

NORWAY

Jan. 14	Price Kroner	+ or −
Bergens Bank	185.5	+1.5
Bergesen B	260	.....
Christiana Bank	205	+4
Den Norske Cred.	179.5	+1.5
Elkem	92	.....
Kosmos	136	+1
Kvaerner	177	+1
Norcem	117	
Norsk Data	214.5	+6.5
Norsk Hydro	139	-5
Orkla-Borregaad	372.5	.....
Storebrand	301	−2

SPAIN

Jan. 14	Price Pta %	+ or −
Bco Bilbao	1,492	-28
Bco Central	1,060	+15
Bco Exterior	425	.....
Bco Hispano	580	−30
Bco Popular	1,910	+50
Bco Santander	1,070	+10
Bco Vizcaya	1,900	+35
Banesto	870	-40
Dragados	498	−16
Hidrola	105.5	−2.5
Iberduero	154.5	-5.0
Petroleos	432.5	-7.5
Telefonica	184.7	...

SWEDEN

Jan. 13	Price Kronor	+ or −
AGA	164	−1
Alfa-Laval B	270	+4
ASEA (Free)	325	.....
Astr (Free)	490	+10
Atlas Copco	158	+3
BeijerA.B.	160	.....
Cardo (Free)	190	.....
Cellulosa	268	−2
Electrolux B	300	+1
EricssonB.	211	+2
Esselte	128	−8
Mo och Domsjo	265	−5
Pharmacia	196	−1
Saab Scania Free	720	.....
Sandvik	135	−3
Skandia	117	−1
Skan Enskilda	112	−1
SKF	336	.....
StoraKopparbrg.	305	-3
Sven. Handlsbk	390	-12
Swedish Match	420	-20
Volvo B (Free)	309	..

SWITZERLAND

Jan. 14	Price Frs.	+ or −
Adia Intl	8,725	−75
Alusuisse	500	.....
Bank Leu	3,825	-15
Brown Boveri	1,825	−15
Ciba Geigy	3,400	−60
do. (Part Certs)	2,435	−80
Credit Suisse	3,790	-10
Elektrowatt	3,790	+90
Fischer (Geo)	1,810	10
Hoff.Roche PtCts	120,750	-250
Hoff-Roche 1/10	12,000	-175
Jacobs Suchard	8,850	+150
Jelmoli	4,025	-25
Landis & Gyr	1,800	.....
Nestle	8,675	-100
Oer-Buehrle	1,380	-20
Pirel Il	449	+1
Sandoz (Br)	10,825	-75
Sandoz (Pt Cts)	1,700	-10
Schindler (Pt Cts)	675	.....
Sika	1,725	.....
Surveillance A	6,700	−50
Swissair	1,195	−15
Swiss Bank	580	−5
Swiss Reinsce	18,400	-400
Swiss Volksbk	2,590	10
Union Bank	5,910	-30
Winterthur Ins	7,200	+25
Zurich Ins	8,300	150

AUSTRALIA

Jan. 14	Price Aust. $	+ or −
ACI Intl	4.05	.....
Adelaide Steams	14.30	−0.15
Amcor	4.4	−0.1
ANZ Group	6.92	.....
Ampol Pet	2.75	-0.05
Ariadne	3.38	-0.08
Ashton	2.78	-0.07
Aust. Guarantee	3.45	.....
Aust. Nat. Inds.	3.14	-0.01
Bell Group	9.7	-0.3
Bell Res.	4.60	-0.24
Bond Corp Hldgs	2.65	.....
Boral	4.54	-0.11
Bougainville	3.30	-0.02
Brambles Inds	7.7	-0.4
Bridge Oil	0.97	-0.02
B. H. Prop	9.1	-0.3
Burns Philp	9.2	-0.3
CAR	7.28	-0.18
CSR	3.48	-0.12
Chase Corp	5.4	.....
Claremont Pet	0.8	.....
Coles Myer	6.14	.....
Comalco 'A'	2.5	−0.1
Consolidated Pet	0.3	.....
Costain Aust.	3.05	+0.05
Elders IXL	4.80	-0.14
Energy Res.	1.65	-0.05

AUSTRALIA (continued)

Jan. 14	Price Aust. $	+ or −
Gen. Prop. Trust	2.68	−0.07
Hardie (James)	4.5	.....
Hartogen Energy	3.35	.....
Herald W'yTimes	15.2	+0.2
ICI Aust.	3.48	-0.05
Industrial Equity	5.70	-0.14
Jimberlana F.P.	0.44	-0.01
Kia Ora Gold	0.90	+0.02
Kidston Gold	8.14	−0.06
Land Lease	10.9	+0.1
MIM	2.65	-0.15
Mayne Nickless	4.05	-0.15
Nat. Aust. Bank	5.66	-0.18
News	17.85	-0.15
Nicholas Kiwi	3.80	.....
Noranda (P.P/pd)	1.98	.....
North Broken Hill	2.70	−0.08
Oakbridge	0.6	.....
Pacific Dunlop	4.10	-0.15
Pancontinental	2.9	.....
Pioneer Conc.	2.98	−0.12
Placer Pacific	2.45	-0.05
Poseidon	5.50	−0.14
Queensland Coal	1.65	−0.06
Reckitt & Colman	6.25	.....
Santos	4.60	+0.05
Smith Howard	6.1	.....
Thos. Natwide	3.90	−0.15
Tooth	6.2	−0.2
Vamgas	3.20	+0.10
Western Mining	6.10	−0.12
Westpac Bank	4.75	−0.19
Woodside Petrol.	1.60	−0.02
Woolworths	3.9	.....
Wormald Intl	4.10	−0.08

HONG KONG

Jan. 14	Price H.K.$	+ or −
Bank East Asia	24.10	+0.10
Cathay Pacific	5.75	.....
Cheung Kong	39	.....
China Light	20.4	−0.1
Evergo	0.64	.....
Hang Seng Bank	44.25	-0.25
Henderson Land.	4.52	−0.05
HK China Gas	23.10	+0.10
HK Electric	12.4	−0.1
HK Land	7.2	.....
HK Shanghai Bk.	9.55	−0.10
HK Telephone	14.4	−0.2
Hutchinson Wpa.	45.5	−1.0
Indust. Equit. Pac	27.6	+0.3
Jardine Math	22.4	+0.1
New World Dev.	9.4	.....
SHK Props.	18.5	.....
Shell Elect.	0.89	.....
Swire Pac A	19.3	-0.1
TV–B	12.8	-0.1
Wharf Holdings	9.1	-0.1
Winsor Inds.	8.80	-0.05
World Int. Hldgs.	3.77	.....

JAPAN

Jan. 14	Price Yen	+ or −
Ajinomoto	1,900	+10
All Nippon Air	1,140	+120
Alps Electric	1,950	−40
Asahi Chem	763	−7
Asahi Glass	1,360	−10
Bank Tokyo	1,150	+80
Bridgestone	704	+13
Brother Inds	574	+9
Canon	950	−5
Casio Comp	1,350	.....
Chugai Pharm	1,500	+60
Daiei	1,230	+40
Dai-Ichi Kan. Bk.	2,110	+110
Dai Nippon Ink	632	+2
Dai Nippon Ptg	1,890	−20
Daiwa House	1,760	−20
Daiwa Sec.	1,820	+70
Eisai	2,190	.....
Fanuc	5,740	.....
Fuji Bank	2,210	+90
Fuji Film	3,510	+50
Fujisawa	1,610	+10
Fujitsu	995	+5
F'rukawa Elect.	498	+7
Green Cross	2,250	+30
Heiwa Real Est.	1,110	+10
Hitachi	1,000	+9
Hitachi Credit	1,660	+20
Honda	1,350	-40
Indl. Bk. Japan	2,910	+290
Ishikawajima Hr.	450	+18
Isuzu Motor	315	-1
Itoh (C)	745	+12
Ito Yokado	3,850	-70
JAL	12,500	+200
Jusco	1,380	-30
Kajima	1,460	..
Kao Corp	1,720	.....
Kawasaki Steel	194	+6
Kirin	1,600	-10
Kobe Steel	164	+4
Komatsu	479	+5
Konishiroku	659	+3
Kubota	394	+6
Kumagai	1,180	.....
Kyocera	3,790	+40
Marubeni	448	+6
Marui	2,800	+10
Mazda Mo'ors	365	+4
Meiji Seika	816	+9
MIE	1,890	+20
M'bishi Bank	2,190	+90
M'bishi Chem	752	+21
M'bishi Corp.	990	+30
M'bishi Elect.	420	+12
M'bishi Estate	2,460	+20

JAPAN (continued)

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SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

Closing prices January 14

[illegible]

MONTREAL

Closing prices January 14

[illegible]

WE REGRET that this listing is incomplete due to communication problems.

Indices

[illegible]

NEW YORK

[illegible]

OVER-THE-COUNTER *Nasdaq national market, prices*

Continued from Page 39

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LONDON Chief price changes (in pence unless otherwise indicated)

RISES

A.C. Hldgs.	395	+35
Banks (S.C.)	400	+25
Bespak	132	+ 6
Blackw. Hodge	*50*	*+ 4½*
Bramall (C.D.)	183	+21
Britoil	196	+ 7
Crystalate	268	+16
ERF	78	+18
Fst. Security	*250*	*+25*
Hill Samuel	495	+14
Isotron	229	+29
Ladbroke	396	+ 8
Ruberoid	335	+13
Sears	129	+ 5
Tyzack (W.A.)	102	+24

FALLS

ASDA-MFI	*154*	*− 8*
BPB Inds.	556	−12
Christies Int.	326	−12
Costain	541	− 9
Dixons	324	−12
Enterp. Oil	198	− 6
Guinness	289	− 7
Jaguar	573	−10
Lillesh.	193	−17
Tarmac	454	− 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27 7/8	17	AAR s	.44	1.6	19	182	27 1/2	27	27	-3/8
30 1/4	21 3/4	ADT	.92	3.1		485	u30 1/2	29 7/8	30 1/8	+1/4
34	17	AFG s	.12	.3	17	1672	u35 3/8	34 1/8	35 3/8	+1 1/2
32	16 3/4	AGS			21	1131	u32 3/8	31 1/4	32 3/8	+1 1/8
15	6 3/4	AMCA				64	7 1/8	7	7	
62 1/8	39 3/8	AMR			13	4319	55 5/8	54 1/4	54 1/4	-1/2
27 1/2	24	ANR pf	2.67	9.9		1	27	27	27	
16 1/2	10	ARX	.71t	6.3	11	137	11 1/2	11 1/4	11 1/4	-1/8
41 1/2	28 3/4	ASA	2a	5.0		1497	40 3/8	39 1/4	40 1/8	+1 1/4
16 5/8	9 3/4	AVX			23	849	13 5/8	12 3/4	13 5/8	+3/4
32	26	AZP	2.72	8.8	9	1500	31 1/8	30 7/8	31	-1/8
55	31 5/8	AbtLb s	.84	1.7	22	4049	51	50 3/4	50 7/8	-1/4
32	25	AccoWd	.56	1.9	18	411	28 7/8	28 1/2	28 3/4	-1/4
14 1/2	9	AcmeC	.40	3.6		149	11 1/8	10 3/4	11 1/4	+1/2
9 1/4	6 1/8	AcmeE	.32b	4.3	19	30	7 1/2	7 1/4	7 3/8	
23 7/8	17 1/2	AdaEx	3.42e	16.		90	21 1/2	21 1/8	21 3/8	+1/8
16 5/8	9 3/4	AdmM s				49	16 1/4	15 5/8	16	+1/8
20 3/8	12 1/8	AdvSys	.62t	3.4	15	201	18 5/8	18 1/8	18 1/4	-1/4
32 7/8	12 7/8	AMD				19207	18 3/8	16 5/8	18 1/8	+2
12 5/8	5 1/4	Adobe				102	8 3/8	8 1/8	8 1/4	-1/8
18 3/8	13 3/4	Adob pf	1.84	11.		22	17 3/8	17 3/8	17 3/8	
20 1/4	16 3/8	Adob pf	2.40	12.		50	u20 1/2	20 1/4	20 1/2	+1/4
18 5/8	11 1/2	Advest	.12a	.9	10	882	13 7/8	13 3/8	13 3/4	
66 1/4	52 1/4	AetnLf	2.64	4.3	9	3096	61 1/8	60 1/8	60 7/8	+1/4
54 5/8	51 1/8	AetL pf	3.94e	7.5		145	52 1/4	52 1/4	52 1/4	
81 1/4	35 1/4	AflPb s	.44	.5	40	387	u82 1/2	80 1/8	82 1/2	+1 5/8
41	17 5/8	AflPb wi				6	40 3/4	40 3/4	40 3/4	
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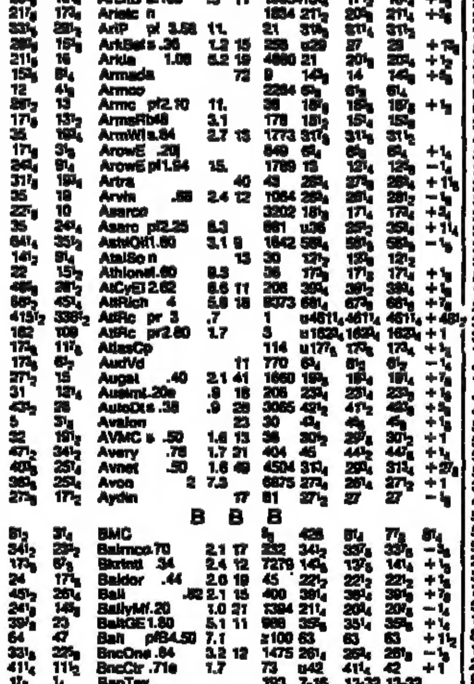


Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38¼	22⅞	PortGC	1.96	6.5	10	1046	30⅝	30⅛	30⅛	−⅜
29⅝	24¼	PorG pf	2.60	9.0		9	29⅞	28⅝	28¾	+⅛
35⅞	32	PorG pf	4.40	13.		30	32⅞	32⅝	32⅞	
35	31⅝	PorG pf	4.32	13.		40	32¾	32¼	32¾	+¼
66	36½	Potltch	1.60	2.5	18	601	u67¼	65	67¼	+2
70	54	Potlt pf	3.75	5.3		25	u71	70	71	+1
58¼	39⅞	PotmEl	2.36	4.6	13	646	51½	50¾	50⅞	−⅝
54	42	PotEl pf	4.04	7.8		z2500	51½	51½	51½	⅛
21½	17½	Premk	n.05e	.2		1778	20⅝	20⅜	20⅝	
35½	25¼	Premin	.44	1.3	23	164	34	32½	34	+1⅛
29	22½	Primrk	1.30	4.8	10	738	27⅛	26¾	27	−⅛
25	15⅝	PrimeC			19	2366	20⅛	19⅝	20	+⅜
45⅝	24½	PrimM	s.08	.2	27	474	39⅞	38	38¾	+⅜
21¾	20	PrmMLn				103	21⅞	21¼	21½	
82½	63¾	ProctG	2.70	3.3	19	3212	81⅞	80	81¾	+1
19⅝	13⅞	PrdRs	.28	1.5	24	197	19½	18¾	18⅝	−⅛
42⅝	27	Proler	1.40	4.1		17	34⅝	34⅝	34⅝	−⅛
2	1⅛	PruRIC				47	1⅜	1¼	1¼	
9⅝	7⅜	PruRI	.68e	9.2		135	7½	7⅜	7⅜	−⅛
22⅝	16	PSvCol	2	11.	13	1022	18⅞	18½	18¾	+¼
26	21¼	PSCol pf	2.10	8.5		15	24¾	24⅝	24⅝	
18⅝	7½	PSInd			6	2466	16½	15⅝	16⅝	+⅛
42	20¼	PSIn pfA				z200	41	41	41	+1
13¼	6⅞	PSIn pfB				z2000	12¾	12½	12½	−⅛
14	6⅝	PSIn pfC				z1240	13⅝	13⅜	13⅝	+⅛
85	43⅛	PSIn pfD				z400	84	84	84	+½
107	54	PSIn pfE				z6400	107	107	107	
100	50	PSIn pfG				z50	99	96¼	96¼	−1¾
100	53	PSIn pfH				z30	u101	101	101	+1
11⅜	7⅜	PSvNH			4	507	8⅝	8⅜	8⅝	
25⅞	17	PSNH pf				z250	18¼	17½	18¼	+¼
25½	17	PNH pfB				13	18⅝	18⅜	18¼	−⅛
33¼	24	PNH pfC				3	25¾	25½	25½	
31¼	21¾	PNH pfD				19	23⅛	23	23	+½
31¼	22	PNH pfE				8	23½	23¼	23½	
27¾	18⅞	PNH pfF				5	20⅞	20¼	20¾	⅛
28⅞	19⅜	PNH pfG				40	22¼	22	22¼	+⅜
37⅝	28⅝	PSvNM	2.92	7.9	11	408	37	36½	36⅞	+⅛
48¼	30¼	PSvEG	2.96	6.9	10	2769	43½	42⅝	43	−¼

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
75¾	45⅝	Xerox	3	4.5	14	6611	68⅝	64⅞	65¾	+1⅜
58¾	54	Xerox pf	5.45	9.7		75	56	55⅞	56	+⅛
28¾	21⅞	XTRA	.64	2.4		531	27⅜	26⅞	27⅛	+⅛
19¾	13½	Yorkla n				379	u19	18⅝	19	+⅝
50¼	28⅝	ZaleCp	1.40	2.9		8	48⅝	48½	48⅝	−⅛
8⅜	2⅛	Zapata				651	4⅛	3⅞	3⅞	⅛
43⅞	20¾	Zayre s	.32	1.2	18	2823	26¼	25¾	26	+⅛
17	9¾	Zemex	.40	3.2	20	17	12⅝	12½	12½	−¼
29⅞	17⅞	ZenithE				2827	24¾	24⅛	24⅝	+⅝
18¼	8	ZenLb s			59	1306	9½	9⅛	9⅜	+¼
22⅝	12⅝	Zero s	.29	1.7	18	288	17¼	16¾	17⅛	−⅛
45¼	32⅝	Zurnin	1.32	3.3	16	825	40¼	39¾	40	
10⅝	8¼	Zweig	n.10e	1.0		617	9⅞	9⅝	9¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
FFMic .20e	3 2113	25¼	24⅝	24⅝	⅜
FFdlCal	7 8	27½	27½	27½ +	¼
FFFdMs	5 97	23¾	23¼	23¾ +	¼
FtFKal .24e	10 204	19⅛	18⅝	18¾ +	⅝
FtFdSC t	10 317	10¼	9¾	10	
FtFnMg	27 158	26	25½	26	
FtFlBk .44	11 189	33¼	32⅞	33¼	¼
FtHawa .90	11 84	25½	24¼	25½	⅜
FtlICps .44	17 117	17⅜	17⅛	17⅛	¼
FJerN 1.60	10 398	47⅛	46⅞	47	
FtKyNa .84	11 216	26¼	25½	25¾	
FMdBs 1	11 75	30¾	30½	30½	⅛
FtNCinn 1.46	13 223	42	39½	41	¾
FPeoNJ	8 87	22¾	22	22	¼
FtSFla .80	20 254	38	37½	37⅞	⅝
FSecC 1.10	15 140	26	25½	25⅞ +	⅛
FtSinn	7 368	16	15⅝	15¾ +	⅛
FTexas 1.16	9 122	33	32½		

WE REGRET that this listing is incomplete due to computer problems.

Stock	Sales (Hnds)	High	Low	Last	Chng
Kaman .52	15 1247	u26½	25¼	26¼ +	2¼
Karchr	22 174	16¾	16½	16⅝	¼
Kasler	371	8¾	8½	8¾	¼
KlyJwA .70	25 225	57	55	56½	1½
Kemps .60	9 3163	29½	29	29⅛	⅜
KyCnL 1.10	11 18	58¾	58	58	1
KeyTrn	240	8⅛	7¾	8	⅛
Kinckle	18 75	14⅛	13¾	13⅝	¼
Kinders .06	20 3537	16	15⅝	16 +	⅝

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bonds give extra fillip to rally

THE NEW YEAR'S rally took off again yesterday on Wall Street in heavy trading after several days in which stocks had eked out only modest advances, *writes Roderick Oram in New York.*

Help came from bond markets where the bullish sentiment kept to a minimum price falls attributed to an ever-weaker dollar and soaring retail sales.

The Dow Jones industrial average closed up 22.08 at 2,035.01 its ninth gain and eighth record in a row. New York Stock Exchange composite index rose 1.44 points to 150.58 as volume expanded to 214.2m the sixth busiest day ever from 170.1m on Tuesday. Advancing stocks outpaced falling by a two-to-one-margin.

Among blue chips, Allied Signal was up $⅝ to $45, American Express rose $1⅛ to $63⅝. General Electric advanced $½ to $91, Merck was up $1⅛ to $127⅞ and Owens-Illinois gained $¾ to $54½.

The renewed vigour of the rally spread across the markets. The American Stock Exchange composite was ahead 1.95 at 289.68 another record.

Several sectors led the general market advance including semiconductors and oils. Semiconductor stocks soared on news that the industry's new orders grew strongly late last year. Texas Instruments leapt $7¾ to $134. National Semiconductor gained $1¼ to $13⅜. Motorola rose $3⅛ to $43½. Advanced Micro Devices was ahead $2 to $18⅛.

Digital Equipment jumped $11½ to $130 on 2m shares after announcing a doubling of profits in its second quarter based on the favourable market response to its newly introduced family of computers. In contrast IBM managed a $2 rise to $118½.

The oil sector resumed its rise as some non-Opec members said they would cut their production which should help Opec's attempts to push up oil prices. Exxon gained $⅞ to $76¼, Chevron was up $1 to $50⅝, Texaco rose $⅝ to $38⅞ and Atlantic Richfield was ahead $⅞ to $68¼.

Burlington Northern rose $2¼ to $63. Its opening was delayed by an order imbalance following television reports that Mr T. Boone Pickens, the Texas investor, had a stake in it. Analysts were sceptical that Mr Pickens would launch a bid for the railway and natural resources group because it has a market valve of $6bn and he is committed to enlarging his stake in Diamond Shamrock.

Furthermore, the Interstate Commerce Commission has vetoed recent railway takeover proposals.

Telerate, which supplies financial information on-line, gained $1¼ to $31. It said it knew no reason for the recent strength of its share price.

The emerging pattern of rising bank earnings in the latest quarter was borne out by results from Chemical and First Chicago, although Chemical's shares were unchanged at $45⅞ while First Chicago's slipped $⅜ to $31⅛.

Caterpillar was up $⅝ to $43 despite announcing a fourth quarter write-off of $109m. Norton & Co was up $1⅛ to $40½ after saving it would write-off of $78.5m.

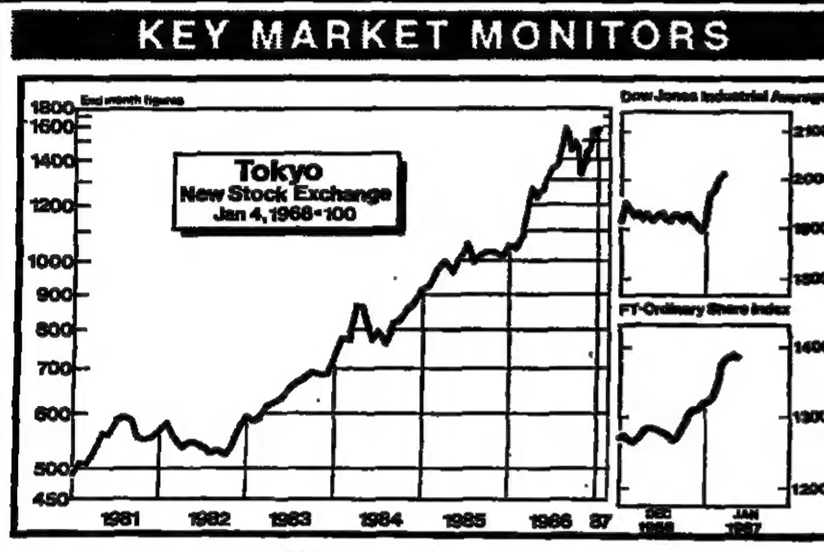
Ford Motor jumped $3 to $69 on reports that First Boston had raised its earnings forecast. Chrysler gained $1⅞ to $44½ although General Motors fell $½ to £67½.

Credit markets took the continuing sharp fall of the dollar and the unexpectedly big jump in retail sales more or less in their stride. Prices of short maturities were unchanged to marginally lower while the 7.5 per cent benchmark Treasury long bond was off ⅛₂ of a point at 101⅝₂ yielding 7.39 per cent.

The discount rate on three-month Treasury bills edged up two basis points to 5.33 per cent and up one on six-month bills to 5.40 per cent while year bills were unchanged at 5.45 per cent.

Wall Street had been expecting a rise in December's retail sales of about 3 per cent. But it accepted the reported 4.4 per cent gain because the rise was only 0.9 per cent if strong car sales were stripped out and the previous month's change was revised to a 0.6 per cent fall from a 0.5 per cent gain. On balance, the two-month picture was similar to that expected.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 14	Previous	Year ago
NEW YORK			
DJ Industrials	2,035.01	2,011.81	1,519.04
DJ Transport	862.96	850.90	692.78
DJ Utilities	222.65	220.29	172.55
S&P Composite	262.64	259.76	206.64
LONDON			
FT Ord	1,389.0	1,393.9	1,109.6
FT-SE 100	1,765.2	1,763.3	1,370.1
FT-A All-share	879.65	879.51	672.02
FT-A 500	967.99	967.56	735.96
FT Gold mines	335.5	326.3	311.6
FT-A Long gilt	10.07	10.06	10.77
TOKYO			
Nikkei	18,784.65	18,554.05	12,977.0
Tokyo SE	1,581.57	1,557.46	1,029.27
AUSTRALIA			
All Ord.	1,526.1	1,553.6	1,051.0
Metals & Mins.	760.1	773.5	532.9
AUSTRIA			
Credit Aktien	220.78	–	255.00
BELGIUM			
Belgian SE	3,990.29	3,980.65	2,768.26
CANADA			
Toronto			
Metals & Minls	2,199.6	2,156.70	2,149.00
Composite	3,266.8	3,254.0	2,612.0
Montreal			
Portfolio	643.80	1,640.96	1,137.46
DENMARK			
SE	201.67	202.57	218.31
FRANCE			
CAC Gen	413.80	–	270.2
Ind. Tendance	104.90	104.00	165.7
WEST GERMANY			
FAZ-Aktien	627.64	629.29	707.20
Commerzbank	1,899.50	1,895.30	2,106.1
HONG KONG			
Hang Seng	2,578.23	2,590.83	1,782.23
ITALY			
Banca Comm.	720.75	718.36	471.43
NETHERLANDS			
ANP-CBS Gen	270.10	268.50	101.3
ANP-CBS Ind	262.50	260.00	245.8
NORWAY			
Oslo SE	362.14	362.78	401.97
SINGAPORE			
Straits Times	957.97	955.56	634.00
SOUTH AFRICA	**Jan 14**	**Prev**	**Year Ago**
JSE Golds	—	2,100.0	1,184.1
JSE Industrials	—	1,454.0	1,101.6
SPAIN			
Madrid SE	231.52	232.91	106.55
SWEDEN			
J & P	2,194.15	2,251.93	1,819.21
SWITZERLAND			
Swiss Bank Ind	583.30	586.00	596.1
WORLD	**Jan 13**	**Previous**	**Year ago**
MS Capital Int'l	372.2	372.10	252.7

COMMODITIES

(London)	Jan 14	Prev
Silver (spot fixing)	373.90p	371.75p
Copper (cash)	n/a	£910.50
Coffee (March)	£1,577.50	£1,587.50
Oil (Brent blend)	$18.825	$18.575

GOLD (per ounce)

	Jan 14	Prev
London	$419.25	$409.25
Zürich	$415.55	$409.75
Paris (fixing)	$413.75	$407.01
Luxembourg	$414.50	$408.50
New York (Feb)	$419.20	$412.30

CURRENCIES

	US DOLLAR		STERLING	
(London)	Jan 14	Previous	Jan 14	Previous
$	–	–	1.5060	1.4905
DM	1.8360	1.87575	2.765	2.795
Yen	152.75	155.75	230.5	232.0
FFr	6.1350	6.27	9.24	9.345
SFr	1.5360	1.5760	2.315	2.3475
Guilder	2.0775	2.1130	3.1275	3.15
Lira	1,309.50	1,330.0	1,972	1,986.75
BFr	38.25	38.90	57.60	58.0
C$	1.3635	1.3659	2.0425	2.0380

INTEREST RATES

	Jan 14	Prev
Euro-currencies (3-month offered rate)		
£	11⁹⁄₁₆	11⅛
SFr	3⅝	3⅝
DM	4⅛	4⅝
FFr	n/a	10⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6³⁄₁₆	6³⁄₁₆
US Fed Funds	6⁵⁄₁₆*	6⅟₁₆
US 3-month CDs	5.80*	6.025
US 3-month T-bills	5.315*	5.50

US BONDS

Treasury

		January 14* Price	January 14* Yield	Prev Price	Prev Yield
6⅝	1988	100⅜₂	6.214	100⅜₂	6.214
7⅛	1993	100⅝₂	6.947	100¹⁹⁄₃₂	6.93
7⅜	1996	101⅝₂	7.094	101⅝₂	7.077
7⅛	2016	101¹¹⁄₃₂	7.38	101²⁹⁄₃₂	7.363

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Jan 14 Day's change	Yield	Day's change
1–30	161.92	−0.27	6.86	+0.03
1–10	153.58	−0.12	6.58	+0.02
1– 3	143.13	+0.00	6.23	+0.01
3– 5	156.48	−0.08	6.86	+0.02
15–30	191.64	−0.81	7.78	+0.04

Source: Merrill Lynch

Corporate	January 14* Price	January 14* Yield	Prev Price	Prev Yield
AT & T				
3⅝ July 1990	92.156	6.45	92.29	6.40
SCBT South Central				
10⅞ Jan 1993	108.125	9.536	106.125	9.537
Phibro-Sal				
8 April 1996	100.25	7.958	100.25	7.968
TRW				
8⅞ March 1996	104.25	8.080	104.25	8.080
Arco				
9⅞ March 2016	112.5	8.688	112.75	8.666
General Motors				
8⅜ April 2016	95.375	8.556	95.25	8.568
Citicorp				
9⅜ March 2016	103.75	9.007	103.75	9.00

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
March	100–16	100–29	100–03	100–18
US Treasury Bills (IMM)				
$1m points of 100%				
March	94.82	94.86	94.76	94.81
Certificates of Deposit (IMM)				
$1m points of 100%				
March	–	–	–	94.42
LONDON				
Three-month Eurodollar				
$1m points of 100%				
March	94.02	94.03	93.96	94.02
20-year Notional Gilt				
£50,000 32nds of 100%				
March	114–09	114–12	112–27	113–29

* Latest available figures

TOKYO

Rate hopes prompt sharp upturn

HOPES of another cut in the official discount pushed share prices sharply higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Steels, financials and major chemicals attracted strong buying interest.

The Nikkei average gained 240.60 from the previous day to 18,784.65. Volume swelled to 881m shares from Tuesday's 378m. Advances led declines by 518 to 338, with 136 issues unchanged.

Despite the Bank of Japan's massive dollar purchases, the US currency slipped below Y154 on the Tokyo foreign exchange market yesterday, closing Y2.20 lower at Y153.80.

On the trading floor, Nippon Steel topped the active list with 256.16m shares changing hands, and accounted for 29 per cent of total volume. It rose Y12 to Y200, recovering the Y200 level for the first time since last October.

Kawasaki Steel was the second busiest issue with 45.96m shares traded and advanced Y8 to Y194. Sumitomo Metal Industries and Nippon Kokan, both active, added Y8 each to Y156 and Y245 respectively.

Volume of the 10 most active stocks accounted for 50.7 per cent of total volume as trading centred on large-capital steels.

Major chemicals attracted strong buying interest. Sumitomo Chemical, third most active with 38.94 shares, jumped Y15 to Y445. Mitsui Toatsu and Mitsubishi Chemical leaped Y20 and Y21 to Y392 and Y752, respectively. Mitsui Toatsu was the fourth busiest with 23.79m shares.

Shipbuildings fared well, with Mitsubishi Heavy Industries, gaining Y17 to Y447. Ishikawajima-Harima Heavy Industries ended Y18 higher at Y430.

Financial issues performed strongly, with Sumitomo Bank surging Y100 to Y2,690, Sanwa Bank Y140 to Y1,930, Sumitomo Trust and Banking Y150 to Y3,070 and Tokio Marine and Fire Y90 to Y1,900.

Among blue-chips, which are being undermined by the strong yen, Hitachi rose Y9 to Y1,000, Matsushita Electric Industrial Y20 to Y1,890 and Fuji Photo Film Y50 to Y3,510. But NEC fell Y10 to Y1,880 and Sony Y10 to Y3,300.

Pharmaceuticals were mixed. Yamanouchi Pharmaceuticals finished Y120 higher at Y3,910 and Sankyo Y30 higher at Y1,640, while Takeda Chemical shed Y10 to Y2,480 and Dainippon Pharmaceutical Y20 to Y3,470.

Bond prices moved in a narrow range, with traders almost ignoring rumours that the yen's continued upswing might prompt the central bank to reduce the official discount rate.

On the futures market, the March contract rose to Y104.97 at one stage, surpassing its high of Y104.92 set on October 5 last year. But it came under sellinig pressure later to close Y0.07 higher at Y104.87.

Reflecting this trend, the 5.1 per cent government bond, maturing in June 1996, ended at 5.130 per cent on the cash market, compared with 5.145 per cent, after falling to 5.120 per cent.

LONDON

Bad weather fails to halt run to peaks

SEVERE WEATHER conditions in Britain failed to stop the London equity markets from reaching another peak as the FT-SE 100 edged 1.9 higher to a record 1,765.2. The FT Ordinary lost 4.9 to 1,389.0.

Trading was dull for most of the day but Wall Street's startling early rally pushed profit-takers aside as buying began in earnest again. ICI, a major feature of the record run, added a further £⅟₁₆ to £11⅞.

Guinness continued in its downward spiral with a fresh 7p drop to 289p on 5.8m shares while oils managed a late recovery.

Britoil posted a 7p rise to 196p on 10m shares while BP added 12p to 788p on 6.7m shares. British Gas, most active with 45m shares changing hands, held steady at 70p.

Gilts opened ½ point weaker but regained their poise in late trading to show small gains.

Chief price changes, Page 37; Details, Page 36; Share information Service, Pages 34-35.

AUSTRALIA

THE DRAMATIC FALL in the Australian dollar fuelled more concern over higher interest rates in Sydney and pushed the All Ordinaries index down 26.5 points to 1,526.1.

Blue chip industrials, banks and resource issues were dumped in a sustained sell-off, according to dealers. Turnover remained heavy at 140m shares worth A$305m.

Herald & Weekly Times was one of the few to resist the downturn as it gained 20 cents to A$15.20 with 4.3m shares changing hands in Melbourne

HONG KONG

LATE SELLING, prompted by the fall of the Hong Kong dollar, depressed sentiment in Hong Kong and drove the Hang Seng Index 12.60 lower to 2,578.23. The Hong Kong Index at 1,650.10 was 7.81 weaker.

Some foreign fund managers held to the sidelines as the local currency, which is tied to the US dollar, came under steady pressure.

Much of the day's activity centred on selling of futures programmes as the Hang Seng index futures contracts remained at a discount to the index.

SINGAPORE

SPORADIC buying alternated with profit-taking in Singapore and pushed the Straits Times industrial index 2.42 higher to 957.97 on turnover of 47.5m shares compared with Tuesday's 49.9m.

Selected blue chips continued to draw buyers with Sime Darby, most active again with 6.6m shares changing hands, up 5 cents to S$2.45; City Development, also active with 4.6m shares traded, added 1 cent to S$2.83 while Sealion found further support with a 21-cent advance to S$1.66 on 3.4m shares.

SOUTH AFRICA

THE OSCILLATIONS in the bullion price prompted a swift rebound in Johannesburg gold shares as world gold prices hit $417 an ounce.

Technical problems at the stock exchange prevented calculation of the major indices and many closing quotes were unavailable.

CANADA

RESOURCE issues rekindled the record-breaking performance in Toronto as turnover jumped in early trading.

Golds led the rally with Echo Bay up C$1 to C$36, Dome Mines ahead C$⅛ to C$12⅝ and Lac Minerals C$⅝ firmer at C$31⅛.

Montreal also staged a broad based advance.

EUROPE

Stockholm continues to free-fall

MOST EUROPEAN bourses picked up a little yesterday, closing mixed or higher, although the shadow of the weak dollar continued to hang over trading and to hit export-related stocks.

Against the trend, however, Stockholm fell sharply for the sixth consecutive session, reflecting fears of higher interest rates and worse-than-expected fourth-quarter results from Swedish companies.

The J&P index was down 57.78 at 2,194.15 for a fall of almost 264 points (representing some SKr 58bn of the bourse's capitalisation) in the past six sessions. The Veckans Affarer all-share index dropped below the 800 level for the first time since last May.

The downturn began last week when bond prices plummeted ahead of the budget and sparked fears that interest rates would be raised further.

Analysts said the fall was also triggered by the cold weather which threatens to freeze up some of the country's northern ports, and sentiment was further depressed by the saga of drugs group Fermenta, whose future as a listed company will be decided by the bourse board today.

Volvo lost SKr 9 to SKr 291, just above its 12-month low of SKr 290.

Ericsson dropped SKr 7 to a new 1986/87 low of SKr 201, while Saab plunged SKr 50 to SKr 670.

Properties, construction and forest products stocks were also badly hit.

Frankfurt managed a slight recovery after its recent falls as buyers moved in to pick up bargains in a market regarded as oversold. The Commerzbank index gained 4.2 to 1,899.5.

Banks and other stocks little affected by the dollar's movements did well, but the further slide in the US currency kept up the selling pressure on export-related stocks.

Cars were mixed, with BMW advancing DM 9 to DM 514 but Porsche off DM 4 at DM 990 and VW down DM 3.50 to DM 379.50.

Bonds rose partly thanks to overseas buying due to the sliding dollar. The Bundesbank sold DM 122.1m worth of paper after selling DM 121.6m on Tuesday.

Amsterdam followed a similar pattern to Frankfurt, closing mixed to higher. Lower share price levels attracted some bargain-hunting but the dollar's weakness still depressed the mood amid fears over its impact on the earnings of companies with high dolar revenues.

Brokers said further price falls on the bourse could not be ruled out in the short-term, with interest rates high and average growth in corporate profits not expected to be large.

Paris reasserted its underlying strength, finishing firmer in response to Wall Street's strong performance and signs that interest rates might be falling.

In the car sector, which saw a 31.5 per cent increase in new car registrations in December, Peugeot added FFr 10 to FFr 1,260 and Michelin was up FFr 2 to FFr 2,760.

Zurich was mixed to easier under pressure from the dollar despite selective buying interest in financials.

However, the sector saw Bank Keu fall SFr 15 to SFr 3,825 following a press report that it had been involved in the Guinness affair.

Shares in food maker Hero were suspended amid takeover speculation.

Brussels finished mixed in hesitant trading, with Petrofina down BFr 180 to BFr 9,320.

Milan was also mixed in active trading marking the end of the January bourse account.

Madrid eased on profit-taking after its recent gains. Figures showed a record turnover for Tuesday's session of 22.7bn pesetas compared with the previous record of 16.29bn pesetas last March.